

ILLINOIS  
COMMERCE COMMISSION

ANNUAL REPORT  
ON ELECTRICITY, GAS, WATER  
AND SEWER UTILITIES

2003

## ICC Annual Reports

This report is one of four annual reports issued by the Illinois Commerce Commission.

### Annual Report on Electricity, Gas, and Water Utilities

(issued 1985—1995 as Annual Report on Public Utilities)  
This report may be obtained from:  
Illinois Commerce Commission  
Chief Clerk's Office  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-7434  
Also on: [www.icc.state.il.us](http://www.icc.state.il.us)

### Annual Report on Telecommunications

This report may be obtained from:  
Illinois Commerce Commission  
Chief Clerk's Office  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-7434  
Also on: [www.icc.state.il.us](http://www.icc.state.il.us)

### Annual Report on the Transportation Regulatory Fund

This report may be obtained from:  
Illinois Commerce Commission  
Transportation Division  
Walk-In Center  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-4654

### Annual Report on the Use of the Grade Crossing Protection Fund

This report may be obtained from:  
Illinois Commerce Commission  
Transportation Division  
Walk-In Center  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-4654

## The ICC On Line

Agendas for Commission meetings, selected Commission orders, annual reports, and other information are available on line from the Commission's Web Site: [www.icc.state.il.us](http://www.icc.state.il.us)

ICC's Electronic Docketing System  
<http://eweb.icc.state.il.us/e-docket>

Plug In Illinois—Choosing an Electric Supplier  
[www.icc.state.il.us/Plugin](http://www.icc.state.il.us/Plugin)

## Contacting the ICC

### Springfield and Chicago Offices

Illinois Commerce Commission  
527 E. Capitol Avenue  
Springfield, Illinois 62701

Illinois Commerce Commission  
160 N. LaSalle, Suite C-800  
Chicago, Illinois 60601

For any public utility service issue, for assistance, or information, or to file an informal complaint, please contact the ICC's Consumer Services Division.

Toll-free: 800/524-0795 (In Illinois only)  
800/858-9277 (TTY)

#### Chicago:

Illinois Commerce Commission  
Consumer Services Division  
160 N. LaSalle Street  
Suite C-800  
Chicago, IL 60601

#### Springfield:

Illinois Commerce Commission  
Consumer Services Division  
527 E. Capitol Avenue  
Springfield, Illinois 62701

On matters pertaining to trucking, and household goods moving, which are under the Commission's jurisdiction, please contact the Transportation Division Walk-In Center in Springfield.

217/782-4654  
217/782-4915 (TTY)

For Railroad Safety issues, please contact:  
217/782-7660

For Relocation Towing issues please contact:  
Illinois Commerce Commission  
Des Plaines Compliance Office  
874/294-4326

January 30, 2004

The Honorable Rod Blagojevich  
Governor, State of Illinois  
State Capitol, Springfield, Illinois

Chairman and Members, Joint Committee on Legislative Support Service  
313 State Capitol, Springfield, Illinois

Dear Governor, Chairman and Members of the Joint Committee:

We are pleased to submit to you the Commission's 2003 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 2003, through December 31, 2003.

The Annual Report is submitted in compliance with the Public Utilities Act and specifically addresses the items cited in Section 4-304 of that Act, which requires the Commission to report on the following subjects: a general review of agency activities; a discussion of the utility industry in Illinois; a discussion of energy planning; the availability of utility services to all persons; implementation of the Commission's statutory responsibilities; appeals from Commission orders; studies and investigations required by state statutes; impacts of federal activity on state utility service; and recommendations for proposed legislation.

Among other Commission reports provided to the Governor and General Assembly each year are the following:

- Annual Report on Telecommunications
- Annual Report on the Transportation Regulatory Fund
- Annual Report on the Use of the Grade Crossing Protection Fund

Additional information about the Commission and its activities is available from the Commission's web sites listed on the previous page.

Sincerely,

Edward C. Hurley, Chairman



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# ILLINOIS COMMERCE COMMISSION

# YEAR IN

# REVIEW

## 2003

### ENERGY ISSUES: ELECTRICITY

#### Electric Restructuring

The electric market was opened to approximately 4.4 million residential customers May 1, 2002, however at the end of 2003, no companies had yet applied to provide service to that customer class. At the end of 2003, approximately 12,300 non-residential customers had elected to purchase power and energy from an Alternative Retail Electric Supplier or an electric utility selling outside its service area. The majority of customer switching occurred in the Commonwealth Edison service area; however, some customer switching occurred in the Illinois Power, AmerenUE, AmerenCIPS, and MidAmerican Energy areas as well. Customer interest in purchasing electricity from an alternative supplier increased in the Ameren service areas as a result of the Ameren companies suspending the imposition of transition charges for at least two years.

#### Alternative Retail Electric Service

Ten suppliers were serving non-residential customers at the conclusion of 2003. In addition more than 8,600 customers had taken service under the Power Purchase Option, a service that is available only in service areas of Commonwealth Edison Company and Illinois Power Company, utilities that, during 2003, imposed transition charges on customers that take delivery services. Detailed electric customer switching statistics can be viewed on the ICC's website at:  
<http://www.icc.state.il.us/ec/switchstats.aspx>.

Companies providing alternative retail electric service and the names, addresses, and contact personnel (with telephone numbers) have been posted to the ICC web site to assist customers who may be considering switching to an alternative provider of electricity.

#### Consumer Education Program

A working group of representatives of investor-owned utilities, alternative retail electric suppliers, consumer organizations and ICC staff worked together to develop

information on Electric Choice. The group developed competitively neutral brochures and bill inserts for small commercial retail customers and for residential customers. Materials were distributed throughout the year via the mail, as requested, and through the ICC website, a toll free number, utilities, ARES and other organizations. The Commission's Plug In Illinois website, which offers a Spanish language option, recorded more than 11,600 visitors seeking information on electric choice.

#### Neutral Fact Finder/ Alternative Market Value

In April 2003, the Commission suspended the neutral fact finder (NFF) process for four years – 2003 through 2007. In the absence of an NFF-determined market value of electricity, the calculation of transition charges is to be based upon the value of electricity determined by market value indices approved by the Commission. The Commission will again consider the NFF process in 2007 for calculation of energy prices for 2008 and beyond.

#### FERC

FERC worked to develop competitive wholesale electricity markets and spent most of 2003 focusing on implementing Order 888 which requires each transmission-owning electric utility to have generally available open access transmission tariffs on file, separate wholesale power sales functions from operation of the transmission system and charge themselves and their affiliates the same rates on wholesale transactions that they charge third-party transmission customers. Illinois utilities have indicated their intentions to participate either in the Midwest Independent System continued its efforts Operator (MISO) or the PJM Interconnection (PJM).

#### Plant Sales/Utility Mergers

The merger of Interstate Power Company and Interstate Power and Light with and into IES Utilities, Inc. was approved by the Commission in May. The new company is known as Interstate Power and Light.

At the company's request, the Commission dismissed an AmerenUE petition to transfer its Illinois electric facilities and gas operation to AmerenCIPS.

Central Illinois Light Company filed a notice of intent to transfer its electric generating assets to a subsidiary. A proceeding was initiated to review the proposed transaction.

#### Decommissioning

The Commission entered an order that granted, subject to modifications and conditions, MidAmerican Energy Company's petition for approval of various changes in its nuclear decommissioning trust agreements on two nuclear units at the Quad Cities Nuclear Power Station, in compliance with Nuclear Regulatory Commission rule changes that became effective in December 2003.

## **Electric Reliability**

A significant electrical blackout on August 14, 2003, throughout large sections of the Midwest and Northeast as well as parts of eastern Canada, prompted the Governor of Illinois to appoint a task force to review Illinois' energy infrastructure. The ICC staff also focused on a short-term review of Commonwealth Edison's transmission system relays and circuit breakers, with the help of Liberty Consulting which has performed previous reviews on the Edison transmission and distribution system.

A draft report on the Illinois Electric Transmission Study remains under review at the close of the year. The review, commissioned by the ICC with the assistance of the Department of Commerce and Economic Opportunity, is being performed by the University of Illinois and Argonne National Labs. It is designed to determine if the transmission system in Illinois and the surrounding region can support a competitive electricity market, and will allow for effective competition to keep prices low.

## **ENERGY ISSUES: GAS**

### **Natural Gas Choice Program**

The Commission entered a final order on December 17, 2003, establishing new rules regarding Alternative Gas Suppliers. The new rules included financial reporting standards and dispute resolution measures.

### **Gas Price Increases**

Central Illinois Light Company, now AmerenCILCO, filed a petition seeking an increase in gas rates in November 2002. A final order, approving an increase, was issued on October 17, 2003.

AmerenCIPS and AmerenUE filed gas rate increase proposals in November 2002. A final order granting a portion of the increase was approved October 22, 2003.

South Beloit Water Gas and Electric Company filed a gas rate increase proposal on October 10, 2003. The Commission is expected to enter a final order in 2004.

### **Gas Cost Disallowance**

The Commission's review of gas-purchasing practices of Nicor Gas, Peoples Gas and North Shore Gas continued in 2003.

## **WATER AND SEWER UTILITIES**

Hearings concluded on the petition filed by the city of Pekin for approval to condemn a certain portion of the waterworks system of Illinois American Water Company. The Commission approved Illinois American Water Company's request to raise rates for each of its water and sewer districts, however, a rehearing was later granted with a final order on rehearing expected in 2004.

Customers of two small troubled water systems, Oakview Avenue Water Works and Arlington Heights Utilities, Inc, are now being served by larger entities, Consumers Illinois Water and Madison County respectively.

The Commission continued citation proceedings against five small water utilities, owned by one individual. Complaints ranged from poor water quality to failure to make necessary improvements as required by previous order.

### **Water Utility Mergers**

Illinois-American Water Company and Thames Water Holdings filed a proposal for merger in December, 2002. The merger was approved and American Water Works, the parent of IAWC, became a subsidiary of Thames Water, headquartered in London, England.

## INTRODUCTION

The following report for calendar year 2003 was prepared to meet the requirements of the Public Utilities Act (PA-84-617). Section 4-304 of this Act instructs the Illinois Commerce Commission to prepare an annual report and provide copies to the Joint Committee on Legislative Support Services of the General Assembly, the Public Counsel, and the Governor.

Nine specific sections on which the Commission is asked to report are cited in the Act. The report is therefore divided into nine main parts, as follows:

- A general review of agency activities;
- A discussion of the utility industry in Illinois;
- A discussion of energy planning;
- The availability of utility services to all persons;
- Implementation of the Commission's statutory responsibilities;
- Appeals from Commission orders;
- Studies and investigations required by state statutes;
- Impacts of federal activity on state utility service; and
- Recommendations for proposed legislation.

For the convenience of the reader, each part is given the same number designation as the corresponding subsection of the Public Utilities Act that it addresses.

Other information about the Commission and its activities is available from the Commission's web site, [www.icc.state.il.us](http://www.icc.state.il.us).

During 2003, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

Lula M. Ford

Terry S. Harvill

Edward C. Hurley

Erin O'Connell-Diaz

Mary Frances Squires

Kevin K. Wright



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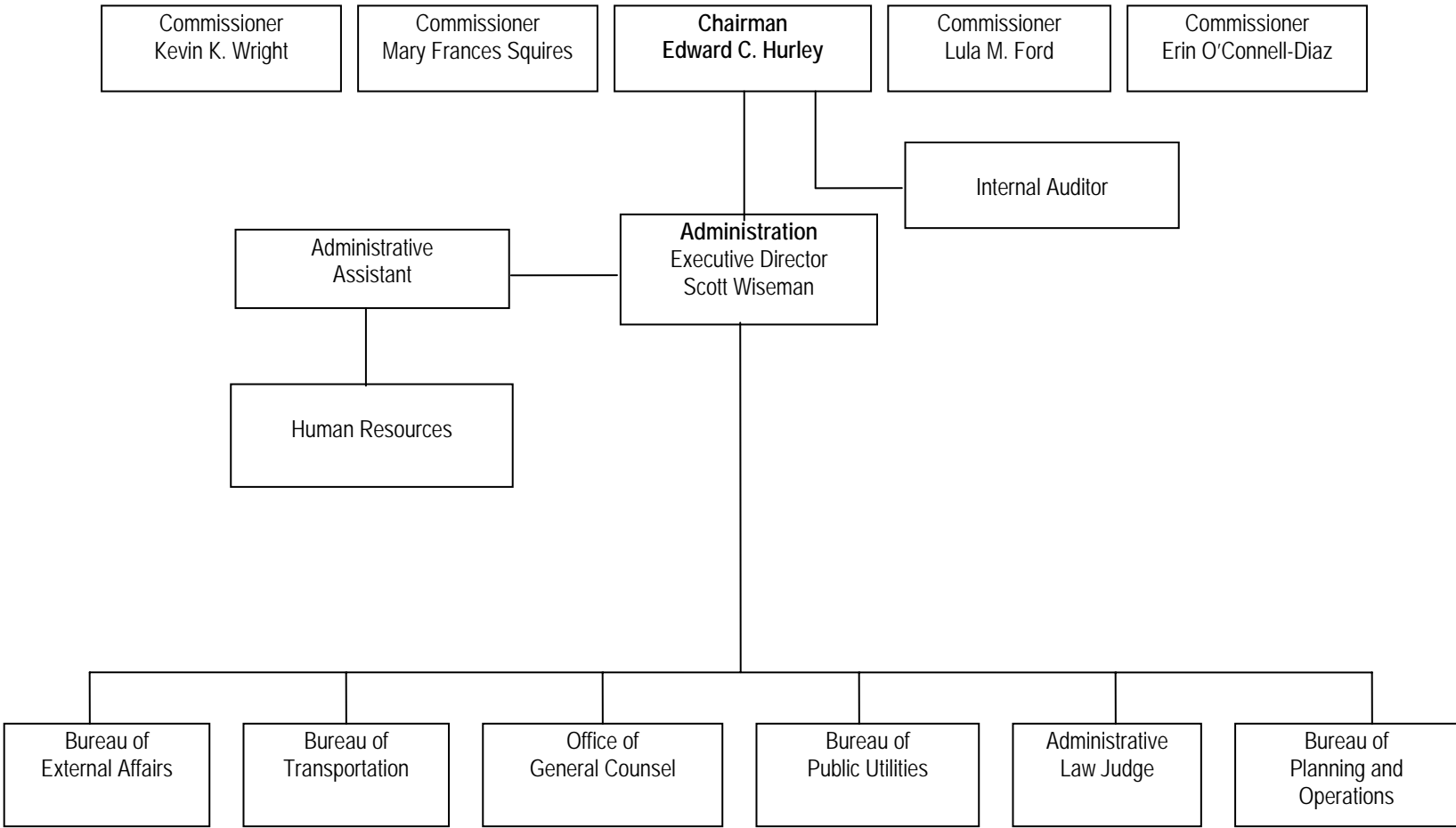
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## ILLINOIS COMMERCE COMMISSION

### STATEMENT OF MISSION

The Illinois Commerce Commission, in a period of emerging reliance on the marketplace to ensure fairly-priced, reliable, and adequate utility services, will protect consumer interests and manage the transition of network industries from regulation to efficient competition through the use of innovative regulatory practices. Through its actions, the ICC shall generally promote effective competition in utility and transportation industries, enhanced consumer choice, efficient and effective dispute resolution, and the sharing of impartial and comprehensive information within its jurisdiction as provided by law.

**ILLINOIS COMMERCE COMMISSION**  
**ORGANIZATION CHART**



# SECTION 1

## General Review of Agency Activities



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*(1) A general review of agency activities and changes, including:*

*(a) a review of significant decisions and other regulatory actions for the preceding year, and pending cases, and an analysis of the impact of such decisions and actions, and potential impact of any significant pending cases;*

*(b) for each significant decision, regulatory action and pending case, a description of positions advocated by major parties, including Commission staff, and for each such decision rendered or action taken, the position adopted by the Commission and reason therefor;*

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## REVIEW OF SIGNIFICANT COMMISSION DECISIONS

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 2003. These summaries are by no means exhaustive, but they do provide a representative sampling of Commission actions. If the reader would like to know more about any of the cases discussed in this report, both the Commission's order and the record for decision are available for examination in the Commission's Springfield office. In any proceeding in which the Commission has entered an order on the merits, the best summary of positions advocated and reasons for the Commission's adoption of a position is contained in the order itself.

Copies of these documents are available free of charge to public officers; others may obtain copies upon payment of the fee established in Section 2-201 of The Public Utilities Act. Selected orders and other Commission documents may be found on the Commission's web page ([www.icc.state.il.us](http://www.icc.state.il.us)) or in the Commission's electronic docketing system (<http://eweb.icc.state.il.us/e-docket>).

## PENDING CASES

As noted above, Section 4-304 of the Public Utilities Act also requires a review of pending cases, including an analysis of the potential impact and a description of positions advocated by staff and major parties. The Commission feels that it is precluded from entering into discussions of pending issues or characterizing positions advocated by staff and parties in pending cases. The dangers of acting otherwise include the possibility of violating restrictions on ex parte communications (see Section 10-103 of the Public Utilities Act and 83 Ill. Adm. Code 200.710) and the possibility of later being held to have prejudged issues pending before the Commission as of the date of this report. The Commission's record in pending cases is available for examination through the Chief Clerk's Springfield office.

## SIGNIFICANT REGULATORY ACTIONS

Significant actions taken by the Commission during 2003 are described in the summary statement, "The Year in Review," immediately preceding this section.

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*(1-c) a description of the Commission's budget, caseload, and staff levels, including specifically:*

*(i) a breakdown of type of case by the cases resolved and filed during the year and of pending cases;*

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## CASES FILED DURING 2003

Table 1-1, Utility Cases Monthly Report, on the following page shows the cases and filings for each month for the years 2002 and 2003. This table also shows the totals by type for the year.

### e-DOCKET: ICC's ELECTRONIC DOCKET FILING SYSTEM

To aid both the Commission staff and the public at large, the Illinois Commerce Commission has developed an electronic filing, reporting, and case management system called e-Docket that is accessible on the World Wide Web.

e-Docket is a Web-based, automated information and records-keeping system. It was developed to process and manage public information about the Commission's official cases and rulemaking proceedings. A person using e-Docket may conduct searches in two ways:

- **Search for cases:** permits searches by case types, service types, companies, and/or a date range as parameters.
- **Search for documents:** permits searches by document types, docket numbers, and/or a date range.

e-Docket has a variety of practical uses. Anyone interested in case proceedings conducted by the ICC may visit the e-Docket web site at <http://eweb.icc.state.il.us/e-docket> and view a wealth of information about active and closed cases initiated on or after January 1, 2000.

### e-DOCKET USERS MANUAL PROVIDES INSTRUCTIONS FOR SEARCHING FOR DOCUMENTS

A twenty-four-page e-Docket users manual is available on the e-Docket web site to assist viewers in finding information about cases. It is important to remember, however, that e-Docket was first used as a way to store electronic documents in January 2000. Documents created prior to January 1, 2000, were filed with the Commission in paper format only. These are available for viewing in the Commission's Chief Clerk's Office.

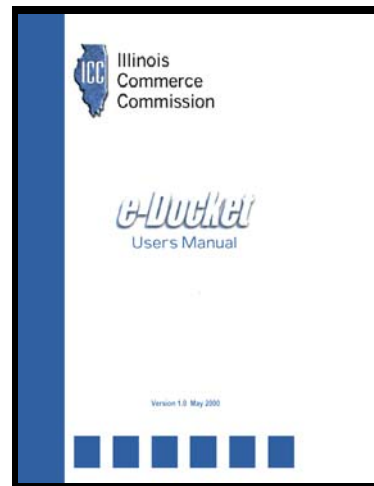


Table 1-1

## Utility Cases Monthly Report

MONTHLY TOTALS	Current Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calendar Year To Date
Filings:	2003	78	48	89	66	80	56	49	56	73	74	73	42	784
	2002	106	73	58	54	109	45	52	65	90	50	98	70	870
Filings/Reports (SPI)	2003	840	652	724	657	733	758	639	526	467	829	538	546	7,909
	2002	821	663	611	747	492	658	606	537	526	624	545	637	7,467
Filings/Reports (CHI)	2003	-	-	-	-	1	-	-	-	-	-	-	-	1
	2002	-	-	-	-	-	-	1	-	-	-	-	-	1
Hearing & Commission Action Notices	2003	165	165	215	244	225	197	139	157	221	254	215	180	2,377
	2002	197	139	172	139	190	152	184	198	186	148	170	169	2,044
Supplemental/Reopen Petitions	2003	-	1	-	-	1	-	-	-	-	-	1	1	4
	2002	-	-	-	-	1	-	-	-	-	1	1	-	3
Petitions for Rehearing	2003	4	-	-	8	3	2	9	-	2	2	6	5	41
	2002	2	4	-	8	3	1	4	5	1	4	3	3	38
Cases Closed (Orders/Commission Actions)	2003	76	92	88	59	68	54	92	49	63	75	52	43	811
	2002	93	76	94	67	72	53	95	30	70	31	49	62	792
Tariff Filings	2003	172	152	169	193	281	168	195	162	160	221	171	206	2,250
	2002	168	177	168	160	229	187	196	344	204	194	159	215	2,401

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(ii) a description of the allocation of the Commission's budget, identifying amounts budgeted for each significant regulatory division, or office of the Commission and its employees.

(iii) a description of current employee levels, identifying any change occurring during the year in the number of employees, personnel policies, and practices or compensation levels; and identifying the number and type of employees assigned to each Commission regulatory function and to each department, bureau, section, division, or office of the Commission.

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The following table shows the Commission's budget and authorized headcount by divisions and funding source.

TABLE 1-3  
**Budget and Headcount by Division**  
For Fiscal Year 2004

Division	Chairman & Commissioners		Public Utility Division		Transportation Division		Totals	
	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$
General Revenue Fund	0	0	0	408,200	0	0	0	408,200
Public Utility Fund	12	1,286,700	209	23,250,700	0	0	221	24,537,400
Transportation Fund	1	126,000	0	0	70	16,819,400	71	16,945,400
Digital Divide Infrastructure Fund	0	0	0	4,350,000			0	4,350,000
Restricted Call Registry Fund	0	0	4	3,800,000			4	3,800,000
Capital Development Fund	0	0	0	0	0	3,000,000	0	3,000,000
Underground Utilities Damage Prevention Fund	0	0	0	75,000	0	0	0	75,000
Totals	13	1,412,700	213	31,883,900	70	19,819,400	296	53,116,000

Headcount is shown at the authorized level.

Budget \$ shown represent the FY04 appropriation.

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*(1-d) a description of any significant changes in Commission policies, programs or practices with respect to agency organization and administration, hearings and procedures or substantive regulatory activity.*

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#### AGENCY ORGANIZATION AND ADMINISTRATION

There were no significant changes in Commission policies or programs with respect to agency organization or administration in 2003.

# SECTION 2

A Discussion of  
the Utility  
Industry in  
Illinois



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*2. A discussion and analysis of the state of each utility industry regulated by the Commission and significant changes, trends and developments therein, including the number of types of firms offering each utility service, existing, new and prospective technologies, variations in the quality, availability and price for utility services in different geographic areas of the State, and any other industry factors or circumstances which may affect the public interest or the regulation of such industries.*

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## SIGNIFICANT CHANGES AND TRENDS IN THE UTILITY INDUSTRY

For a discussion of changes and trends in the natural gas and electric power industry, see Section 8 of this report.

### DISCUSSION OF THE QUALITY, AVAILABILITY, AND PRICE OF UTILITY SERVICES BY GEOGRAPHIC AREA

#### ELECTRICITY

Electric service to retail customers is provided in the State of Illinois by the following nine investor-owned public utilities.

- Ameren CILCO
- AmerenCIPS
- AmerenUE
- Commonwealth Edison Company
- Illinois Power Company
- Interstate Power and Light Company
- MidAmerican Energy Company
- Mt. Carmel Public Utility Company
- South Beloit Water, Gas and Electric Company

Electric service is also provided in Illinois through municipal systems and electric cooperatives, neither of which are regulated by the Commission. Data as to the quality, availability, and price of electric service are not reported to the Commission by these providers and will not be a subject of this report.

#### Northern Illinois

Electricity is sold in northern Illinois by four electric utilities: Commonwealth Edison Company, Interstate Power and Light Company, MidAmerican Energy Company, and South Beloit Water, Gas and Electric Company. Commonwealth Edison Company is by far the largest investor-owned electric utility in Illinois, serving 3,589,532 customers in 396 communities. The Commonwealth Edison service territory includes the Chicago metropolitan area. MidAmerican Energy Company provides service to 83,530 customers in 42 communities in northwestern Illinois. Interstate Power and Light Company has 12,009 customers in 13 communities that are also in northwestern Illinois. South Beloit Water, Gas and Electric Company provides electrical service to 8,295 customers in 8 communities adjacent to the Wisconsin border.

Northern Illinois' electric generation capacity for the summer of 2003 was adequate. All of area's available nuclear capacity was operating. There was also an additional 3,300 MW of generation capacity available during 2002 from combustion turbine "peaking" units operated by unregulated power producers. This additional generation, plus the availability of base-load generation, resulted in an ample supply of generating capacity.

The average price in cents per kWh for 1995-2002 for the four utilities is as follows:

	1995	1996	1997	1998	1999	2000*	2001*	2002*
Commonwealth Edison	7.49¢	7.53¢	7.38¢	7.26¢	6.47¢	7.54¢	7.60¢	7.64¢
Interstate Power	5.02	4.75	4.69	4.87	4.58	4.60	5.20	5.31
MidAmerican	6.60	5.47	4.92	5.03	5.04	6.20	5.97	6.11
South Beloit	4.58	4.30	4.44	4.74	4.88	5.40	6.04	5.50

\* Price per kWh for bundled service class customers.

### Central Illinois

Electric service is provided to central Illinois by three investor-owned electric utilities: AmerenCILCO, AmerenCIPS, and Illinois Power Company ("IP"). AmerenCIPS and IP also provide service to southern Illinois. AmerenCILCO serves 203,337 customers in the Peoria area and 108 other communities. AmerenCIPS provides service to 561 communities across central and southern Illinois with a total of 325,817 customers. IP serves 573,475 customers in 421 Illinois communities in central and southern Illinois.

Central and southern Illinois' electric generating capacity was adequate for the 2003 summer peak.

The average price in cents per kWh for 1995-2002 for the three utilities is as follows:

	1995	1996	1997	1998	1999	2000*	2001*	2002*
AmerenCILCO	5.47¢	5.15¢	5.24¢	5.39¢	5.66¢	6.07¢	6.13¢	6.12¢
AmerenCIPS	4.97	4.93	5.09	5.19	5.14	6.20	6.15	6.30
Illinois Power	6.15	5.76	5.63	5.13	6.30	6.43	6.87	6.84

\* Price per kWh for bundled service class customers.

### Southern Illinois

AmerenCIPS and IP serve much of southern Illinois. Service areas for these companies were discussed in the previous section concerning central Illinois. Customer and price statistics given above include southern Illinois and will not be repeated in this section. Two other utilities will be discussed that operate only in southern Illinois.

Missouri-based AmerenUE provides electric service to 65,634 customers in 17 communities in southwestern Illinois. Mt. Carmel Public Utility Company serves 5,587 customers in 2 communities in southeastern Illinois.

As with the other parts of Illinois during the summer of 2003, there was an ample supply of electricity in Southern Illinois.

The average price in cents per kWh for 1995-2002 for the two utilities is as follows:

	1995	1996	1997	1998	1999	2000*	2001*	2002*
AmerenUE	4.29¢	4.21¢	3.90¢	4.05¢	3.98¢	4.02¢	4.07¢	4.19
Mt. Carmel	5.62	5.98	6.22	6.81	6.81	6.75	6.68	7.33

\* Price per kWh for bundled service class customers.

**Table 2-1**

The price of electricity sold by the electric utilities varied between utilities and within utilities depending upon the class of customer served. Table 2-1 shows detailed price per kWh information for all electric utilities under ICC Jurisdiction.

<p style="text-align: center;"><b>Table 2-1</b>  <b>Illinois Electric Utilities</b>  <b>Revenue in Cents per kWh for Bundled Service, Sales for Resale, and Interdepartmental Sales by Class of Service and by Company</b>  <b>2002</b></p>									
	Ameren <u>CILCO</u>	Ameren <u>CIPS</u>	Ameren <u>UE</u>	<u>ComEd</u>	Illinois <u>Power</u>	Interstate <u>Power</u>	Mid- <u>American</u>	Mt. <u>Carmel</u>	South <u>Beloit</u>
<u>Class of Service</u>									
Bundled Service									
Residential Sales	7.45	7.50	6.58	8.67	7.85	6.96	8.22	9.18	6.33
Small (or Commercial) Sales	7.02	6.76	5.03	7.76	7.94	7.02	6.44	9.65	6.29
Large (or Industrial) Sales	4.25	4.06	2.94	5.20	4.63	4.21	4.07	5.62	4.40
Public Street & Highway Lighting	5.50	8.66	8.58	6.92	7.11	16.17	7.59	-	12.75
Other Sales To Public Authorities	-	5.59	-	5.67	6.72	4.76	5.33	6.73	-
Sales To Railroads	-	-	-	6.07	-	-	-	-	-
Sales to Ultimate Customers	6.12	6.30	4.19	7.64	6.84	5.31	6.11	7.33	5.50
Sales For Resale	2.44	3.47	3.38	4.73	372.95	9.53	2.43	4.06	2.34
Interdepartmental Sales	5.55	4.19	-	-	-	-	2.96	-	4.60

## NATURAL GAS

Natural gas service is currently provided in the State of Illinois by the 14 investor-owned gas public utilities listed below:

AmerenCILCO  
AmerenCIPS  
AmerenUE  
Atmos Energy Corporation  
Consumers Gas Company  
Illinois Gas Company  
Illinois Power Company  
Interstate Power and Light Company  
MidAmerican Energy Company  
Mt. Carmel Public Utility Company  
Nicor Gas  
North Shore Gas Company  
Peoples Gas Light and Coke Company  
South Beloit Water, Gas and Electric Company

Additional gas service is provided in Illinois by municipal gas systems not subject to regulation by the ICC. For this reason, data concerning quality, availability, and price for these systems are not available to the ICC and therefore are not considered in this document.

During 2003, natural gas service was available without major interruption to all firm customers served by these 14 Illinois utilities. A considerable number of commercial and industrial customers chose to purchase gas directly from wholesale suppliers and use the local gas utility as a transporter. Residential customers served by Nicor Gas and a limited number of residential customers served by Peoples Gas and North Shore are also allowed to purchase gas directly from wholesale suppliers. During 2004, sufficient supplies of natural gas are expected to be available to all customers.

### Northern Illinois

Gas distribution and sale of natural gas is provided in northern Illinois by six public utilities as follows: Interstate Power and Light Company, MidAmerican Energy Company, Nicor Gas, North Shore Gas Company, Peoples Gas Light and Coke Company, and South Beloit Water, Gas and Electric Company.

Nicor Gas is the largest gas distribution company in the state providing service to 1,851,441 customers in 641 communities in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, is the second largest utility in Illinois with 817,296 customers. North Shore Gas Company serves 149,108 gas customers in 56 communities north of the Chicago area. Of the remaining three companies serving northern Illinois, MidAmerican Energy Company is the largest with 65,200 customers in 27 communities. South Beloit Water, Gas and Electric Company serves 6,849 customers in 9 communities. Finally, Interstate Power and Light Company serves 5,487 customers in 11 communities.

As with the price of electricity, the price of gas varies among utilities and is generally determined by the suppliers of natural gas that serve the local distribution company. The average price in cents per therm for the six utilities is as follows:

	1996	1997	1998	1999	2000	2001	2002
Interstate	49.99¢	56.05¢	55.70¢	50.18¢	65.52¢	82.54¢	58.74¢
MidAmerican	50.90	56.05	48.75	52.95	73.52	72.37	60.59
Nicor Gas	41.84	48.11	42.27	43.02	61.73	73.69	49.70
North Shore	56.97	60.32	56.43	56.18	73.67	94.34	68.36
Peoples Gas	60.66	66.02	64.09	64.21	82.10	105.50	74.20
South Beloit	44.44	58.63	66.86	54.29	58.08	78.83	64.20

## Central Illinois

Gas distribution and sale of natural gas is provided in central Illinois by three large distribution companies: AmerenCILCO, AmerenCIPS, and Illinois Power Company. AmerenCILCO provides gas service to 208,054 customers in 128 communities, the two largest being the Peoria and Springfield metropolitan areas. AmerenCIPS serves mostly rural areas in central and southern Illinois, providing service to 294 communities with a total of 165,155 customers. Illinois Power provides gas service to 399,175 customers in 302 communities in various parts of the state, ranging from Galesburg in west-central Illinois to areas in southwestern Illinois and including the East St. Louis metropolitan area.

The average price in cents per therm for the three utilities for 1996-2002 is as follows:

	1996	1997	1998	1999	2000	2001	2002
AmerenCILCO	53.08¢	55.07¢	50.85¢	55.80¢	71.21¢	86.16¢	69.54¢
AmerenCIPS	57.16	51.29	52.29	63.89	78.53	88.13	80.73
Illinois Power	47.37	61.18	52.49	54.56	67.50	87.54	69.48

## Southern Illinois

Gas distribution and sale of natural gas is provided in southern Illinois by two large distribution companies; AmerenCIPS and Illinois Power discussed earlier, and the following five smaller distribution companies: AmerenUE, Atmos Energy Corporation, Consumers Gas Company, Illinois Gas Company, and Mt. Carmel Public Utility Company.

Atmos Energy provides service to 23,420 customers in 32 communities in a number of distinct service areas in southern Illinois. AmerenUE serves 17,443 customers in 5 communities in the Alton metropolitan area in southwestern Illinois. Illinois Gas serves 10,308 customers in 15 communities in the Lawrenceville-Olney area. Consumers Gas serves 5,909 customers in 16 communities in the Carmi area. Finally, Mt. Carmel serves 3,684 customers in 8 communities in the Mt. Carmel area.

The average price per therm for the six utilities for 1996-2002 is as follows:

	1996	1997	1998	1999	2000	2001	2002
Atmos Energy	57.67¢	65.86¢	61.24¢	56.36¢	73.30¢	98.49¢	74.12¢
AmerenUE	48.01	58.38	48.47	64.53	79.94	95.79	77.02
Consumers Gas	54.59	54.07	51.30	46.62	73.77	89.20	70.45
Illinois Gas	52.68	57.22	52.27	53.47	77.38	90.57	74.72
Mt. Carmel	44.14	52.93	54.26	56.01	69.17	88.93	77.40

**Table 2-2**

The price of gas sold by the gas utilities varied between utilities and within utilities depending upon the class of customer served. A major portion of the price per therm of gas is determined by the suppliers of natural gas that serve the local distribution company. Table 2-2 shows detailed price per therm information for all gas utilities under ICC Jurisdiction.

Table 2-2  
**Illinois Gas Utilities**  
**Revenue in Cents per Therm by Class of Service and by Company**  
2002

	<u>Ameren CILCO</u>	<u>Ameren CIPS</u>	<u>Ameren UE</u>	<u>Atmos Energy</u>	<u>Consumers Gas</u>	<u>Illinois Gas</u>	<u>Illinois Power</u>
Residential Sales	74.36	84.17	80.56	77.86	70.38	82.04	75.42
Small (or Commercial) Sales	64.61	81.50	75.02	65.92	71.40	77.78	65.06
Large (or Industrial) Sales	57.59	56.42	58.16	64.67	69.21	59.20	46.99
Other Sales To Public Authorities	-	-	-	58.70	65.97	-	-
Total Sales To Ultimate Customers	69.54	80.73	77.02	74.12	70.45	74.72	69.48
Interdepartmental Sales	36.90	65.97	-	-	-	-	-
Sales For Resale	41.96	-	-	-	61.24	-	-
	<u>Interstate Power</u>	<u>Mid- American</u>	<u>Mt. Carmel</u>	<u>Nicor Gas</u>	<u>North Shore Gas</u>	<u>Peoples Gas</u>	<u>South Beloit</u>
Residential Sales	59.15	62.33	81.45	49.67	69.41	75.50	66.40
Small (or Commercial) Sales	54.85	55.37	75.47	50.31	64.52	68.54	59.88
Large (or Industrial) Sales	65.55	72.06	60.23	46.68	59.01	60.21	60.03
Other Sales To Public Authorities	-	-	69.82	-	-	-	-
Total Sales To Ultimate Customers	58.74	60.59	77.40	49.70	68.36	74.20	64.20
Interdepartmental Sales	-	30.92	-	-	-	-	114.10
Sales For Resale	-	30.90	-	-	-	-	-

## WATER & SEWER UTILITIES

The Commission currently regulates 31 water, 4 sewer, and 14 combined water and sewer investor-owned utilities. While the number of investor-owned utilities is a small percentage of the 1,950 public water suppliers and 750 public sanitary sewage systems with treatment facilities in the state, these investor-owned utilities provide water service to approximately 1.2 million people and sewer service to 155,000 people. The investor-owned utilities serve customers in 38 counties concentrated in the Chicago metropolitan area with the number of customers served ranging from 24 to 290,000. Only eight utilities serve more than 1,000 customers. Table 2-3 is a comparison of bills for these eight utilities providing service to 1,000 customers or more.

There are still considerably fewer investor-owned water and/or sewer utilities than in the past. The reduced number of investor-owned water and sewer utilities is partly the result of the overall Commission effort to reduce the number of small utilities. Small utilities, due to their limited number of customers, typically have difficulties generating sufficient revenues to maintain the system and to hire employees with the necessary expertise to function as an investor-owned utility.

The Commission has found that, in most cases, customers receive better service at lower rates from larger utilities due to the economies of scale that are realized. The Commission has promoted acquisition or mergers of small systems by larger municipal and investor-owned utilities to take advantage of these economies of scale. When acquisitions and mergers are not practical, the possibility of the small systems being operated as a mutual by a homeowners association is investigated. Mutual operations, which are exempt from Commission jurisdiction, often result in lower costs to customers for small systems.

In 2003, Consumers Illinois Water Company, the second largest investor-owned utility in the State, acquired a small troubled investor-owned water utility, Oakview Avenue Water Works. In addition, Madison County is now serving the customers of Arlington Heights Utilities, Inc., which was a small troubled investor-owned sewer utility. As a result, both Oakview Avenue Water Works and Arlington Heights Utilities, Inc. had their certificates cancelled in 2003.

The Commission still has on-going citation proceedings for five small water utilities (owned by one individual serving a total of 2,220 customers) that were originally cited by the Commission for poor water service in 1997 with a final Order in 1999. Since these five utilities failed to make the specified improvements required by the 1999 Order, the Commission in 2001 commenced additional citation proceedings. These additional citation proceedings had hearings in 2002 and 2003 and have been continued generally, pending a related ruling in a Bankruptcy Court. Customer service has remained uninterrupted.

Most of the larger investor-owned water utilities serve municipalities adjacent to the state's major rivers, and the utilities use those rivers as their source of water supply. River supplies are generally adequate and the water, when treated, meets the criteria established by the Illinois Environmental Protection Agency ("IEPA") except for nitrate levels in some rivers which exceed the standards during periods of heavy water run-off from agricultural lands.

Illinois American Water Company continues to actively participate in the Vermilion Watershed Task Force; this group was formed primarily of representatives throughout the agriculture industry, government agencies, and the local water company to concentrate on the effective management of the river as a resource. The application of nitrogen-based fertilizers in agriculture and its impact on the provision of potable water continues to be part of the focus of the group. With continued exceptionally high levels of nitrates in the Vermilion River, Illinois American Water - Streator District installed a permanent Ion Exchange Treatment System in July 2002 to reduce nitrates to an acceptable level. This new treatment process will ensure that the nitrates will never exceed the maximum contaminant level ("MCL") and solve the nitrate problem. Additionally, in an effort to eliminate any further nitrate problems in Streator, raw water blending valves were installed so that the low nitrate concentrated reservoir water may be blended with the river during times when the nitrates exceed the MCL.

Consumers Illinois Water Company, Vermilion Division, has periodically experienced levels of nitrate in the raw water in excess of the maximum allowed by the United States Environmental Protection Agency ("USEPA") and operates an ion exchange treatment system to reduce the nitrate level below the MCL.

There are several other upcoming regulations by the USEPA that could potentially impact the costs of well supplies in Illinois. The principle examples are arsenic, radionuclides and radon. Arsenic is a good example of the more strenuous standards being considered. Currently, the MCL is 50 parts per billion ("ppb"). On February 22, 2002, the federal arsenic in drinking water rule became effective; the date by which systems must comply with the new 10 ppb standard is January 23, 2006. The change in the arsenic rule may force one investor-owned water utility to either install costly treatment equipment or to find another source of supply, which in most instances would be substantially more expensive.

Water supplies for Commission investor-owned water utilities were generally adequate in 2003. Most smaller systems serve unincorporated residential developments, often a single subdivision, and are typically located in the northern half of the state.

Wells serve as the source of supply for most small systems. Well water quality varies considerably and can contain undesirable minerals such as iron, manganese and calcium that, while not injurious to health, do cause aesthetic problems. Aesthetic problems have caused several well systems located in the Chicago metropolitan area to obtain Lake Michigan water.

Of the 18 investor-owned utilities that provide sewer service, only two systems provide service to more than 5,000 customers. The other sewer systems are small, although one does provide service to a major manufacturing plant. Some of the systems have difficulty meeting the stream discharge standards established by the IEPA. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest systems have, where possible, sought treatment from nearby regional plants. All sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD") discharge their waste to the MWRD for treatment. The investor-owned sewer systems provide service primarily to residential customers and serve a very limited number of commercial and industrial customers.

Bills for sewer service are typically flat rate charges since metering of sewage flow is uneconomical and impractical for residential customers. The rates vary considerably and depend on many factors, including the age of the treatment plant and treatment criteria for the receiving stream. In some instances, the rates do not reflect the cost of treatment, which is ultimately recovered through taxation by a municipal corporation (such as the MWRD). Other utilities have recently completed new treatment plants, and rates in the range of \$40 to \$73 per month reflect the substantial investment in such facilities. Overall, rates for single-family homes average \$25 to 30 per month.

Public Act 93-32, signed into law on June 20, 2003, mandated a new annual fee for a National Pollution Discharge Elimination System permit issued by the Illinois EPA. Effective July 1, 2003, the minimum permit fee that small sewer utilities must pay is \$1,500 annually. Small sewer utilities would need a substantial increase in revenues to pay this new permit fee. Six of the 18 sewer utilities regulated by the Commission have annual revenues of less than \$20,000, the smallest sewer utility has 21 customers with \$3,900 annual revenues. The Commission approved EPA riders for several of these small sewer utilities in an effort to provide the needed financial relief in a timely fashion and to limit the administrative burden. In some cases, the rate increase from the EPA rider was quite substantial for the small number of customers.

Hearings for a petition filed by the City of Pekin, a municipal corporation, for approval to condemn a certain portion of the waterworks system of IAWC pursuant to 735 ILCS 5/7-102 were completed in the middle of 2003. A final Order is expected in the earlier part of 2004.

## **FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS**

Bond ratings are the single most comprehensive and widely accepted measure of the financial condition of a business enterprise. Several independent financial research firms provide rating services, which categorize corporate debt issues on the basis of risk. Virtually all of the major electric and natural gas utilities serving Illinois have ratings assigned to their bond issues.

There is no formula for determining bond ratings. In assigning ratings to a firm's debt, rating agencies give consideration to both qualitative and quantitative factors. For a public utility, the financial aspects reviewed by rating agencies can be separated into six criteria: debt leverage, construction and asset concentration risks, earnings protection, financial flexibility and capital attraction, cash flow adequacy, and accounting quality. Non-financial rating criteria include service territory characteristics, fuel supply and generating capacity, operating efficiency, regulatory treatment, and management.

The following table shows the nationwide electric utility industry average bond rating, as well as the ratings for the seven major electric utilities serving the State of Illinois. Interstate Power and Light, AmerenUE, and MidAmerican Energy have the majority of their operations in other states.

**Electric Utility Bond Ratings by Standard and Poor's  
1998 to Present**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Electric Utility Industry Average	A-	A-	A-	BBB+	BBB+	BBB
AmerenCILCO	AA-	BBB-	BBB-	BBB-	BBB-	A-
AmerenCIPS	AA-	AA-	A+	A+	A+	A-
AmerenUE	AA-	AA-	A+	A+	A+	A-
Commonwealth Edison	BBB	BBB+	A-	A-	A-	A-
Illinois Power	BBB	BBB	BBB+	BBB+	B	B
Interstate Power and Light	A+	A+	A+	A-	BBB+	BBB+
MidAmerican Energy	A+	A	A	A	A	A

Like the electric utilities, natural gas distribution companies receive ratings on their debt, which reflect the individual company's financial condition. The table below presents credit ratings for the three major natural gas distribution utilities serving the State of Illinois and the average credit rating for the nationwide natural gas distribution industry.

**Gas Utility Bond Ratings by Standard and Poor's  
1998 to Present**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Gas Distribution Industry Average	A	A	A	A	A	A-
Nicor Gas	AA	AA	AA	AA	AA	AA
North Shore Gas	AA-	AA-	AA-	AA-	A-	A-
Peoples Gas Light and Coke	AA-	AA-	AA-	AA-	A-	A-

Currently, none of the water utilities serving the State of Illinois have ratings assigned to their debt.

Table 2-3  
ILLINOIS PUBLIC WATER UTILITIES WITH 1,000 OR MORE CUSTOMERS  
BILL COMPARISON - RESIDENTIAL CUSTOMERS WITH 5/8" METERS  
2003

AREA OF STATE	UTILITIES	TOTAL NUMBER OF CUSTOMERS	BILL COMPARISON BASED ON WATER USAGE				
			4,000 GALLONS	6,000 GALLONS	8,000 GALLONS	10,000 GALLONS	15,000 GALLONS
NORTHERN	Apple Canyon	2,686	\$21.92	\$30.38	\$38.84	\$47.30	\$68.45
	Consumers Illinois						
	Candlewick	2,298	\$32.32	\$41.48	\$50.64	\$59.80	\$82.70
	Ivanhoe	239	\$13.22	\$19.84	\$26.45	\$33.06	\$49.59
	Kankakee	22,025	\$22.24	\$26.91	\$31.58	\$36.24	\$47.91
	Oak Run	2,612	\$29.43	\$39.81	\$50.19	\$60.57	\$86.52
	University Park	1,801	\$18.49	\$21.77	\$25.04	\$28.31	\$36.49
	Willowbrook	964	\$20.77	\$28.33	\$35.89	\$43.45	\$62.35
	Woodhaven-Campsite	6,120	\$9.35	\$9.35	\$9.35	\$9.35	\$9.35
	Woodhaven-Metered	45	\$24.58	\$32.80	\$41.02	\$49.24	\$69.79
	Galena Territory	1,912	\$20.52	\$25.56	\$30.60	\$35.64	\$48.24
	Illinois-American						
	Chicago Metro						
	Lake Water	36,382					
	Alpine Heights	232	\$38.54	\$51.04	\$63.54	\$76.05	\$107.31
	Chicago Suburban	4,303	\$33.50	\$43.48	\$53.46	\$63.45	\$88.41
	DuPage County	6,104	\$36.74	\$48.34	\$59.94	\$71.55	\$100.56
	Fernway	1,911	\$36.26	\$47.62	\$58.98	\$70.35	\$98.76
	Moreland	173	\$24.99	\$30.72	\$36.45	\$42.17	\$56.50
	Santa Fe/SW & W Suburban	22,931	\$41.54	\$55.54	\$69.54	\$83.55	\$118.56
	Waycinden	728	\$42.34	\$56.74	\$71.14	\$85.55	\$121.56
	Well Water	1,384	\$27.11	\$33.90	\$40.70	\$47.49	\$64.47
	Sterling	6,509	\$32.09	\$39.00	\$45.91	\$52.81	\$70.08
	Streator	7,790	\$28.02	\$34.79	\$41.56	\$48.34	\$65.27
	Lake Holiday	2,085	\$17.28	\$23.42	\$29.56	\$35.70	\$51.05
	Lake Wildwood	1,787	\$24.82	\$32.06	\$39.30	\$46.54	\$64.64
	South Beloit	2,122	\$9.73	\$12.80	\$15.87	\$18.93	\$26.60
	Whispering Hills	2,267	\$17.54	\$23.74	\$29.94	\$36.14	\$51.64
CENTRAL	Consumers Illinois						
	Vermillion	17,084	\$30.67	\$38.33	\$45.98	\$53.64	\$72.78
	Illinois-American						
	Champaign	45,986	\$20.75	\$25.90	\$31.05	\$36.20	\$49.07
	Lincoln	5,845	\$25.76	\$33.05	\$40.34	\$47.63	\$65.85
	Pekin	13,599	\$20.57	\$24.16	\$27.75	\$31.35	\$40.33
	Peoria	49,860	\$28.20	\$34.97	\$41.74	\$48.52	\$65.45
	Pontiac	4,206	\$30.79	\$37.65	\$44.50	\$51.36	\$68.51
SOUTHERN	Illinois-American						
	Southern-Alton/Cairo/Interurban	87,476	\$27.37	\$34.14	\$40.91	\$47.69	\$64.62

# SECTION 3

A Discussion  
of Energy  
Planning



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*(3) A Specific Discussion of the Energy Planning Responsibilities and Activities of the Commission and Energy Utilities Including:*

*(a) The extent to which conservation, cogeneration, renewable energy technologies and improvements in energy efficiency are being utilized by energy consumers, the extent to which additional potential exists for the economical utilization of such supplies, and a description of existing and proposed programs and policies designed to promote and encourage such utilization;*

*(b) A Description of each Energy Plan filed with the Commission pursuant to the Provisions of this Act and a copy or detailed summary of the most recent energy plans adopted by the Commission."*

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## COGENERATION

### Commission Rule

The rules for the transfer of electric power between independent generating facilities and regulated electric utilities in Illinois are established by 83 Ill. Adm. Code Part 430. All utilities operating in Illinois must abide by these rules except for cooperatives and municipal utilities, which are not regulated by the Commission.

The most important portion of the rules is the requirement that a utility must purchase cogenerated power at a price commensurate with the utility's avoided cost. Table 3-1 on page 21 lists 2003 avoided costs as filed annually by Illinois electric utilities.

Section 8-403 of the Public Utilities Act requires the Commission to conduct a study of procedures and policies to encourage the full and economical utilization of cogeneration and small power production. Pursuant to Section 8-403, the Commission submitted reports to the Governor and General Assembly in 1986 and 1987.

### Special Rates

Cogeneration/self generation displacement and deferral rates can be in the form of special contracts or designed as tariffs. In each case the Commission's position has been to promote economic cogeneration or self generation, while avoiding uneconomic bypass of the utility's system. When the cogeneration or self generation discount rate brings a customer's individual rate closer to the utility's marginal cost of providing service, uneconomic bypass is less likely to occur.

**TABLE 3-1**  
**Avoided Cost Rate Structure of Illinois Electric Utilities <sup>1</sup>**  
**(2003)**

	Summer Rates	Winter Rates
Central Illinois Light		
On-Peak	1.78¢/Kwh	1.68¢/Kwh
Off-Peak	1.52¢/Kwh	1.43¢/Kwh
Central Illinois Public Service		
On-Peak	2.30¢/Kwh	2.30¢/Kwh
Off-Peak	2.30¢/Kwh	2.30¢/Kwh
Commonwealth Edison		
On-Peak	6.06¢/Kwh	3.97¢/Kwh
Off-Peak	2.42¢/Kwh	2.15¢/Kwh
Illinois Power		
On-Peak	1.51¢/Kwh	1.34¢/Kwh
Off-Peak	1.18¢/Kwh	1.21¢/Kwh
Interstate Power		
On-Peak	4.14¢/Kwh	3.61¢/Kwh
Off-Peak	2.18¢/Kwh	1.97¢/Kwh
MidAmerican Energy		
On-Peak	1.87¢/Kwh	1.17¢/Kwh
Off-Peak	1.09¢/Kwh	0.93¢/Kwh
Mt. Carmel Public Utility		
On-Peak	1.903¢/Kwh	1.903¢/Kwh
Off-Peak	1.903¢/Kwh	1.903¢/Kwh
South Beloit Water Gas & Electric		
On-Peak	4.14¢/Kwh	3.61¢/Kwh
Off-Peak	2.18¢/Kwh	1.97¢/Kwh
Union Electric		
On-Peak	2.23¢/Kwh	1.52¢/Kwh
Off-Peak	1.47¢/Kwh	1.44¢/Kwh

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Source: Annual Filings of Illinois electric utilities pursuant to 83 Ill. Adm. Code 430.110.

<sup>1</sup> Time differentiated rate pricing is shown at transmission or subtransmission levels where possible; additional credits available at lower voltages, loads, and times (except for Mt. Carmel). See each utility filing for exact avoided energy costs under specific conditions.

## SECTION 4

Availability of  
Utility Services to  
All Persons



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*(4-c) an analysis of the financial impact on utilities and other ratepayers of the inability of some customers or potential customers to afford utility service, including the number of service disconnections and reconnections, and cost thereof and the dollar amount of uncollectible accounts recovered through rates.*

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Uncollectible expenses for utilities represent revenues billed but not received for services rendered. Efforts are made to recover such revenues, but, after a certain period of time and effort, these amounts are charged as an expense and recovered in the regular rates charged to all customers.

The level of uncollectible expense is not perceived as a significant problem at the privately-owned water and/or sewer utilities in Illinois. Therefore, no effort has been made to analyze in detail the explicit data for those utilities.

To illustrate the amount of uncollectible expense for gas and electric utilities, the years 2001 and 2002 provide the most recent data available at the Commission. The actual amount recovered in utility rates at any one time depends on the test year chosen for the utility's last rate case. For example, if a utility utilized a 1999 test year for its last rate case, the amount of uncollectible expense approved for the test year is embodied in that utility's rates until the next rate case.

#### **Electric Utilities**

Total Uncollectible Expense for all companies was \$65,185,352 in 2002 as compared to \$59,280,397 in 2001. This represented 0.76% of total Operating Revenues of \$8,622,538,802 in 2002 and 0.68% of Total Operating Revenues of \$8,685,964,102 in 2001. ComEd had the largest amount of Uncollectible Expenses with \$50,683,842 in 2002 and \$41,731,291 in 2001. This represented 0.83% of Total Operating Revenues in 2002 and 0.68% in 2001. The results are shown in Table 4-1.

#### **Gas Utilities**

Total Uncollectible Expense for all companies was \$81,648,592 in 2002 as compared to \$72,067,536 in 2001. This represents 2.22% of Total Operating Revenues of \$3,684,216,283 in 2002 and 1.54% of Total Operating Revenues of \$4,666,279,687 in 2001. Peoples had the largest amount of Uncollectible Expenses with \$48,238,018 in 2002 and \$34,114,183 in 2001. This represented 4.74% of Total Operating Revenues in 2002 and 2.60% in 2001. The results are shown in Table 4-2.

Table 4-1  
 Illinois Electric Utilities  
 Comparison of Uncollectible Expense to Total Revenues  
 2002-2001

<u>Electric Utilities</u>	<u>Uncollectibles</u>		<u>Revenues</u>		<u>Percent Uncollectibles to Total Revenues</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
AmerenCILCO.	1,781,340	3,392,365	390,677,940	391,906,302	0.46%	0.87%
AmerenCIPS	3,831,527	4,942,638	660,669,949	670,159,859	0.58%	0.74%
AmerenUE *	926,686	843,537	147,959,470	145,823,598	0.63%	0.58%
ComEd	50,683,842	41,731,291	6,092,813,197	6,166,417,342	0.83%	0.68%
Illinois Power	7,194,092	7,288,601	1,145,909,422	1,137,786,609	0.63%	0.64%
Interstate Power *	47,159	56,255	19,653,476	18,556,380	0.24%	0.30%
MidAmerican *	611,353	896,175	142,330,724	132,776,978	0.43%	0.67%
Mt. Carmel	9,662	22,831	11,026,295	9,849,308	0.09%	0.23%
South Beloit	99,691	106,704	11,498,329	12,687,726	0.87%	0.84%
Total	65,185,352	59,280,397	8,622,538,802	8,685,964,102	0.76%	0.68%

\* Illinois Uncollectible Expenses are a ratio of System-wide Uncollectible Expenses.

Table 4-2  
Illinois Gas Utilities  
Comparison of Uncollectible Expense to Total Revenue  
2002-2001

<u>Gas Utilities</u>	<u>Uncollectibles</u>		<u>Revenues</u>		<u>Percent Uncollectibles to Total Revenues</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
AmerenCILCO	971,282	2,762,343	222,844,176	285,699,063	0.44%	0.97%
AmerenCIPS	1,656,940	1,202,350	162,923,231	170,151,029	1.02%	0.71%
AmerenUE *	213,070	230,602	16,559,819	17,665,856	1.29%	1.31%
Consumers Gas	24,133	30,494	5,335,837	6,353,139	0.45%	0.48%
Illinois Gas	112,291	73,931	10,022,644	11,619,944	1.12%	0.64%
Illinois Power	2,818,957	8,279,653	372,437,383	476,590,951	0.76%	1.74%
Interstate Power *	10,369	2,541	4,397,642	5,953,770	0.24%	0.04%
MidAmerican *	52,546	468,130	67,893,225	8,662,143	0.08%	5.40%
Mt. Carmel	14,171	21,434	3,280,688	3,967,165	0.43%	0.54%
Nicor Gas	25,716,046	23,237,376	1,594,815,442	2,105,919,051	1.61%	1.10%
North Shore	1,794,527	1,134,541	180,264,191	228,665,171	1.00%	0.50%
Peoples Gas	48,238,018	34,114,183	1,018,027,404	1,313,576,076	4.74%	2.60%
South Beloit	61,337	59,727	6,420,247	6,629,457	0.96%	0.90%
United Cities *	(35,095)	450,231	18,994,354	24,826,872	(0.18)%	1.81%
Total	81,648,592	72,067,536	3,684,216,283	4,666,279,687	2.22%	1.54%

\* Illinois Uncollectible Expenses are a ratio of System-wide Uncollectible Expenses.

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*(4) A discussion of the extent to which utility services are available to all Illinois citizens including:*

*(a) Percentage and number of persons or households requiring each such service who are not receiving such service, and the reasons therefore, including specifically the number of such persons or households who are unable to afford such service.*

*(4-b) a critical analysis of existing programs designed to promote and preserve the availability and affordability of utility services.*

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The information necessary to determine the number of persons lacking utility service within the state is difficult to obtain. Part of the difficulty is that all utility companies within the state track accounts by residence and not by customer name. Thus, a utility could determine if a particular residence was disconnected and therefore no longer receiving service, but the utility would have no way of knowing whether that household regained service under another name in its own service territory or perhaps under the same name in a different service territory. In addition, persons disconnected might also move in with an acquaintance already receiving service or they might acquire service supplied by an electric co-operative or municipality over which we have no jurisdiction. Further, if the intent of the question is to ascertain the number of persons without access to a source of heat, the existence of non-utility sources such as wood stoves and kerosene heaters would further complicate the answer, thus the myriad of possibilities makes a truly accurate figure very elusive.

Although the Commission has limited resources available to determine the number of persons within the state lacking some type of utility service, and granting the uncertainty in accuracy of such a statistic, an estimate may be obtained by analyzing the disconnection and reconnection data provided to the Commission by all utilities.

To determine a rough estimate of the number of persons lacking utility service, one can look at the aggregate disconnection/reconnection figures for a 12-month period. The results for the period of December 2002 through November 2003 are as follows.

The average heat related residential class customer base equaled 7,112,678 households. In this class 253,989 accounts were disconnected and 150,944 were reconnected. This yields a 59.4 percent reconnection rate leaving 103,045 accounts not reconnected. The disconnected accounts represent 3.6 percent of the average residential customer base, while those accounts not reconnected represent a rate of 2 percent.

The Commission is aware of its obligations to minimize the dangers arising from unnecessary termination of gas and/or electric space heating service during the winter months. To minimize these dangers and be responsive to the needs of both Illinois consumers and the utilities that serve those consumers, the Commission has developed rules and regulations concerning the termination and reconnection of space heating service during the winter months. Many of these rules have since been enacted into law. In addition, the Commission has continued to refine its other rules regarding utility credit and collection activities to help Illinois utility consumers make timely payments on their obligations to utility companies and thus avoid termination of utility service. The following discussion is a synopsis of current regulations designed to promote and preserve the availability and affordability of residential utility services.

### **Temperature-Based Termination**

If gas or electric service is the only source of space heating or if electricity is used to control the only space heating equipment such as an electric blower fan on a gas furnace, these services may not be disconnected on any day when the National Weather Service forecasts that the temperature for the next 24 hours will be 32 degrees or below, or on a day before a holiday or weekend when the weather is forecasted to be 32 degrees or below any time before the next business day.

## **Disconnection of Customers Receiving LIHEAP funds**

During the winter heating season (December 1 through March 31) residential customers who receive Low Income Home Energy Assistance Program funds may not be disconnected if the services are used as the primary source of heating or to control or operate the primary source of heating.

## **Preferred Payment Date**

Current residential customers who receive certain types of benefit checks out of cycle with their utility bills are allowed up to ten days subsequent to the customer's regular due date to make payment without penalty. This has benefited the low-income, elderly, and unemployed customers since they are able to avoid late payment charges and, in many cases, avoid paying a deposit to the utility.

## **Deferred Payment Agreement**

This agreement allows a customer who owes the utility for a past due bill to maintain utility service by paying the past due amount in installments over a period of four to twelve months while continuing to pay current bills as they become due. Of the customers whose service was reconnected during the winter of 2002 – 2003 and who were given a payment plan, 31 percent were allowed 6 months or longer to pay the past due amount. Depending on the outstanding amount, the amount of the current bills, and the customer's income, this rule helps many customers, but it falls short of assisting those customers who simply have utility bills that are greater than their income can afford. Commission rules do allow for reinstatement after default and renegotiation of the payment agreement if the customer's financial circumstances change for the worse.

## **Reconnection**

This rule provides that residential customers disconnected prior to the winter heating season and those customers disconnected during the winter heating season (December 1 through March 31) may be reconnected upon the payment of one third of the amount due to the company. If financial inability to pay this amount is shown, one-fifth of the amount owed may be paid. The customer then must enter into a payment plan to pay the balance of the outstanding amount owed to the utility. It should be noted that in many cases the amounts paid to have service restored are obtained through grants from community organizations or through the Low Income Home Energy Assistance Program (LIHEAP) administered by Department of Commerce and Economic Opportunity.

The reconnection rule further states that this provision is available between November 1 and April 1 of the current heating season; that reconnection under this provision cannot be used in two consecutive years; that the former customer must have paid at least one third of the amount billed subsequent to December 1 of the prior year; and that the program is not available if any evidence of tampering with the meter is discovered.

As required in the "winter reconnection" rule, on or about October 1, 2002, letters were sent to 39,068 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 8,770 former customers requested that their service be reconnected. Of these, 2,955 customers were reconnected upon payment of the total bill and 5,231 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 597 customers were denied. The reasons for denial are categorized as follows:

- 477 former customers failed to make a required down payment;
- 90 former customers failed to pay one-third of the amounts billed since December 1, 2001;
- 17 former customers had been reconnected under this rule last year; and
- 13 former customers resided where equipment tampering or diverted utility service was detected.

The above information indicates that 30,298 former customers did not respond to the inquiries posed by the utilities. It is impossible to determine whether these households are truly without utility service and, if so, why they do not have service.

## **Financial Assistance:**

ICC-regulated utilities participate in the Low Income Home Energy Assistance Program (LIHEAP) administered by the Department of Commerce and Economic Opportunity. LIHEAP provides a one-time grant to eligible low-income customers.

## CONSUMER EDUCATION ACTIVITIES

### Customer Choice—"Plug In Illinois"

Section 16-117 of the Public Utilities Act, the Illinois Electric Service Customer Choice and Rate Relief Law of 1997, restructures the state's electric utility industry. It requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights, and responsibilities. In accordance with the law, the ICC formed a working group consisting of representatives of the investor-owned utilities, alternative retail electric suppliers, consumer organizations, and ICC staff to develop information. The group developed competitively-neutral brochures and bill inserts for small commercial retail customers and for residential customers. Details regarding the initial development and implementation of the program are included in the annual reports from 1998 through 2002. Although residential customers have been eligible for choice since May 2002, no suppliers have entered the market to serve residential customers.

Distribution of materials during the year 2003 included approximately 153 business brochures, 76,000 business bill inserts, 76 residential brochures (English), 13 residential brochures (Spanish), 4,500 residential bill inserts. Distribution channels included the ICC web site, ICC toll-free number, utilities, ARES, and other organizations.

The ICC Plug In Illinois web site has sections for business and residential consumers containing an overview of the electric service restructuring and customer choices including brochure content in text form as well as the brochures and bill inserts in downloadable formats, a list of suppliers (both certified and pending), frequently asked questions, and other information. It also includes e-mail links for comments, questions, and complaints and a survey box for users. The web site is updated with new and additional information, including ARES/supplier changes, as needed, to enhance its effectiveness. The residential web page is available in English and in Spanish. This year the Plug In Illinois web site has recorded more than 11,600 "visitors".

# SECTION 5

Implementation of  
The Commission's  
Statutory  
Responsibilities



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*(5) A detailed description of the means by which the Commission is implementing its new statutory responsibilities under this Act, and the status of such implementation, including specifically:*

*(5-a) Commission reorganization resulting from the addition of an Executive Director and hearing examiner qualifications and review.*

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During 2002, there were no organizational changes resulting from statutory responsibilities. Various changes made since the passage of the new Public Utilities Act have been reported in previous Commission annual reports. Ongoing organizational changes are reported on page 5.

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*(5-b) Commission responsibilities for construction and rate supervision, including construction cost audits, management audits, excess capacity adjustment, phase-ins of new plant and the means and capability for monitoring and reevaluating existing or future construction projects.*

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## CONSTRUCTION AUDITS

### Statutory Requirements

Section 8-407(b) and 9-213 of the 1986 Public Utilities Act grants the Commission the authority to conduct construction audits. Pursuant to Section 8-407(b), the Commission, after granting a certificate of public convenience and necessity for the construction of a new electric generating facility, is granted the authority to perform construction cost audits at any time during construction whenever the Commission has cause to believe that such an audit is necessary or beneficial to the efficiency or economy of construction.

Section 9-213 requires the Commission to perform an audit of the cost of new electric utility generating plants and significant additions to electric utility generating plants to determine if the cost is reasonable prior to including such construction costs in rate base.

Section 8-407(b) and 9-213 both grant the Commission the authority to engage independent consultants to perform these audits. If a construction audit is performed by an independent consultant, the cost will be borne initially by the utility, but shall be recoverable as an expense through normal ratemaking procedures.

### Commission Responsibilities

In order to comply with the Public Utilities Act, the Commission must monitor the major construction activities of all electric utilities within the state to assure that such construction is efficient and economical. The Commission is also required (Sec. 8-407(a)) to reevaluate the propriety and necessity at least every two years of each certificate of necessity issued to the construction of a new electric generating facility. In order to comply with the above responsibilities, the Commission has the authority to conduct construction cost audits.

### Section 8-407(b) Activities

No activities were required during 2003.

## **Section 9-213 Activities**

No activities were required during 2003.

## **MANAGEMENT AUDITS**

### **Statutory Requirements**

The Commission has authority under Section 8-102 of the Public Utilities Act to conduct management audits of public utilities. The Commission may choose to conduct the audits with its own staff or it may contract with independent consultants to perform the management audits. Prior to initiating an audit of a utility, the Commission must determine that reasonable grounds exist to believe an audit is necessary or cost-beneficial.

The statute allows for the costs associated with the use of independent consultants to be borne by the utilities with recovery provided through the normal ratemaking process.

### **Commission Responsibilities**

Prior to initiating a management audit or investigation of a utility, the Commission must have "reasonable grounds to believe that such audit or investigation is necessary to assure that the utility is providing adequate, efficient, reliable, safe, and least-cost service and charging only just and reasonable rates therefor, or that such audit or investigation is likely to be cost beneficial in enhancing the quality of such service or the reasonableness of rates therefor." The Commission shall "issue an order describing the grounds for such audit or investigation and the appropriate scope and nature of such audit or investigation."

No auditing activities were undertaken during 2003.

### **Excess Capacity and Used and Useful**

Section 9-215 of the Public Utilities Act gives the Commission the "power to consider, on a case by case basis, the status of a utility's capacity and to determine whether or not such utility's capacity is in excess of that reasonably necessary to provide adequate and reliable electric service". The Commission is also authorized to make adjustments to rates if a finding of excess capacity is made. This section conditions this authority for generating units whose construction programs started prior to the effective date of the current Act, January 1, 1986. That is, for generating units whose construction started prior to the effective date of the current Act, the Act requires that a determination of excess capacity or utility plant used and useful will be made from that which is appropriate under prior law.

No activities were required during 2003.

## **RATE MODERATION PLAN**

The Public Utilities Act authorizes the Commission to consider the adoption of a rate moderation plan that would lessen rate impacts associated with new power plants coming into service.

During 2003, no new power plants were placed in service in Illinois that fall under the Commission's jurisdiction. As a result, the Commission did not use its authority to adopt a rate moderation plan.

## **COST-BASED RATES**

The Public Utilities Act considers cost-based rates an important component of equity for ratepayers. Specifically, the act states that the cost of supplying public utility services should be allocated to those who cause the costs to be incurred [Sec. 1-102(d)(iii)]. The need to base rates on costs has increased as the utility environment becomes more competitive. A close relationship between rates and costs will discourage uneconomic bypass of the utility system by ratepayers. Uneconomic bypass is costly to the utility, ratepayers and society as a whole.

The Commission made consistent progress towards the establishment of cost-based rates in utility rate cases conducted over the years 1994-2003.

A total of eighteen gas and three electric rate cases were filed during this period. Additionally, with the passage of the Electric Service Customer Choice and Rate Relief Law of 1997, nine electric utilities filed cases for delivery services implementation and for residential delivery services implementation and eight electric utilities filed cases for metering services unbundling. The gas cases were filed by MidAmerican Energy Company ("MEC"), Iowa-Illinois Gas and Electric ("IIGE") [now part of MEC], Central Illinois Light Company ("CILCO") [now AmerenCILCO], Peoples Gas Light and Coke Company ("Peoples"), North Shore Gas Company ("North Shore"), Northern Illinois Gas Company ("Nicor Gas"), Mt. Carmel Public Utility Co. ("Mt. Carmel"), Illinois Gas Company ("IGC"), Central Illinois Public Service Company ("AmerenCIPS"), Union Electric Company ("AmerenUE"), United Cities Gas Company [now Atmos Energy Corporation], South Beloit Water Gas and Electric Company ("SBWGE") and Consumers Gas Company. Electric rate cases were filed by IIGE, Commonwealth Edison Company ("ComEd") and Mt. Carmel. The electric delivery service cases were filed by ComEd, IP, AmerenCIPS, AmerenUE, Mt. Carmel, MidAmerican, CILCO, SBWGE, and Interstate Power and Light Company ("IPC"). Additionally, except for Mt. Carmel, the same electric Companies filed for unbundling of delivery services.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing.

The Public Utilities Act also required that AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2002. Neither utility was required to reduce its residential rates. The Act also mandated that Illinois Power reduce its bundled residential rates by 5% on May 1, 2002, and that CILCO reduce its bundled residential rates by 1% on October 1, 2002. All rate reductions mandated by the Public Utilities Act have been implemented.

#### **Commission Actions to More Fully Implement Cost-Based Rates: Gas**

In the CILCO case (Docket No. 94-0040), the Commission decision was to more closely align rates with costs through a 75% reduction in interclass subsidies and more cost-based rate designs.

In the North Shore and Peoples cases (Docket Nos. 95-0031 and 95-0032), the Commission adopted the Average and Peak allocator method. The Commission also made further progress towards cost-based interclass revenue allocations.

In the NI-Gas case (Docket No. 95-0219), the Commission again adopted the Average and Peak allocator method. The Commission adopted a revenue allocation that significantly reduced interclass subsidies and initiated cost-based rate designs.

In the Mt. Carmel gas and electric case (Docket No. 97-0513), the Company performed a cost of service study ("COSS"), as did Staff. The Commission concluded that rates agreed to by the parties made movement towards subsidy elimination, while recognizing customer impact concerns.

In the Illinois Gas Company case (Docket No. 98-0298), the Company submitted an embedded cost of service study utilizing GasWorks 1.0, which is a COSS program designed by the Commission Staff. Staff proposed a few minor allocation changes, which the Company accepted. Staff proposed and the Commission accepted Staff's interclass allocation methodology, which eliminated cross-subsidization between rate classes. Staff and the Company agreed to class rate design which made movement towards intra-class subsidy elimination, while recognizing customer impact concerns.

In the AmerenCIPS and AmerenUE cases (Docket Nos. 98-0545 and 98-0546), both the Company and Staff provided cost of service studies. Staff however, proposed using the average and peak allocation method for allocating capacity-related transmission and distribution costs. The Company accepted Staff's COSS and interclass revenue allocation methodologies in the rebuttal stage of the proceeding. In both cases, Staff proposed basing the customer charge for the general delivery service rates on meter capacity. This resulted in two customer charges, for both AmerenCIPS and AmerenUES general service rate class, compared to the Company's proposal of one rate. Staff stated that since there is such a diverse group of customers with substantially different sized meters in the classes, separating them by meter capacity will further eliminate intra-class subsidies. The Company and Commission agreed. The Company and Staff agreed to a rate design methodology that made considerable

movement towards intra-class subsidy elimination. All parties agreed that full movement toward fully cost-based rates would cause undue negative customer impacts.

In the MidAmerican case (Docket No. 99-0534), the Company performed a cost of service study and based the proposed rates on cost of service. Staff of the Commission reviewed that study and presented testimony. An order was entered and the rates became effective in July 2000.

In the United Cities Gas Company case (Docket No. 00-0228), the Company accepted the COSS and the rate design proposed by Staff. The Staff-designed rates included increased costs in the customer charges that more properly reflect the true cost of service.

In the Consumers Gas case (Docket No. 00-0618), which was filed in September 2000, the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. An order was entered in June 2001.

In the MidAmerican case (Docket No. 01-0444), the Company performed a cost of service study and based the proposed rates on cost of service. Staff of the Commission reviewed that study and presented testimony. An order was entered in March 2002.

In the CILCO case (Docket No. 02-0837), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in October 2003.

In the AmerenCIPS and AmerenUE cases (Docket Nos. 03-0008 and 03-0009), the Companies performed cost of service studies and based the proposed rates on cost of service. Commission Staff reviewed those studies and presented testimony. The Commission entered an Order in October 2003.

South Beloit Water Gas and Electric Company filed a gas rate case on October 10, 2003, and an Order is due in October 2004.

#### **Commission Actions to More Fully Implement Cost-Based Rates: Electricity**

In the IIGE electric rate case (Docket Nos. 92-0292 and 92-0357, Consolidated), the Commission accepted an interclass revenues allocation that reduced cost subsidies by 25% according to embedded costs and a more cost-based rate design.

In the ComEd case (Docket No. 94-0065), the Commission moved towards cost-based rates based on the equal percentage of marginal costs approach and individual rate elements for all rate classes closer to marginal costs.

The delivery services tariff cases to establish non-residential rates for delivery services involved all nine electric utilities:

CIPS and UE (Docket No. 99-0121)

MidAmerican Energy Company (Docket Nos. 99-0122 & 99-0130)

CILCO (Docket Nos. 99-0119 and 99-0131, Consolidated)

ComEd (Docket No. 99-0117)

IP (Docket Nos. 99-0120, 99-0134, and 99-0140, Consolidated)

IPC and SBWGE (Docket Nos. 99-0124, 99-0125, 99-0132, and 00-0133, Consolidated)

Mt. Carmel (Docket No. 99-0116)

Each delivery service proceeding consisted of taking a test year revenue requirement, which was made up of transmission, distribution, and generation components, and separating these components out for cost of service purposes. The generation component will be market based, while the transmission component will be regulated by FERC. The goal of delivery services was to have cost-based delivery service rates, which represent the distribution portion of the electric system. The Commission approved cost-based rates for each utility. Approval of cost-based rates helps facilitate the next stage of deregulation, which is unbundling. Competition for unbundled services will largely depend on cost-based delivery service rates.

In the unbundling cases (Docket No. 99-0013), all utilities, except Mt. Carmel, filed tariffs for the unbundling of metering services. Staff reviewed those filings, and the Commission Order was issued on October 4, 2000, and became effective on January 1, 2001. Cost-based rates for unbundled delivery services will be a prime factor in initiating competition in Illinois.

Delivery services tariffs for all residential customers became effective on May 1, 2002. As part of their plans for delivery services, AmerenCIPS and AmerenUE filed new residential delivery services tariffs and also filed updated non-residential delivery services tariffs in December 2000. The other seven utilities filed their proposed rates in 2001. All of the proceedings, except ComEd's, were completed to establish delivery services rates for their residential classes, as well as new non-residential delivery services rates. Commonwealth Edison's proceeding was completed in 2003.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing. The appropriate filings were made and the rates became effective on October 1, 2000.

The Public Utilities Act also required that AmerenCIPS, and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2000. The comparison indicated that AmerenCIPS and AmerenUE were not required to reduce their bundled residential rates on that date.

As required by the Public Utilities Act, CILCO reduced its bundled residential rates by 2% on October 1, 2000.

The Public Utilities Act also required that ComEd reduce its bundled residential rates by 5% on October 1, 2001.

## **MERGERS**

On June 19, 2002, Ameren Corporation and Central Illinois Light Company filed an application seeking approval for CILCO to engage in a reorganization pursuant to Section 7-204 and 7-204A of the Public Utilities Act. This Application provided that Ameren would purchase CILCO from its parent, AES Corporation. Following an investigation, the Commission entered an order on December 4, 2002, authorizing the acquisition by Ameren with certain conditions. During 2003, AmerenCILCO has been filing reports and information in compliance with the order.

On September 12, 2003, Consumers Illinois Water ("CIWC") and Oakview Avenue Water Works, Inc. filed a 7-204 petition for the acquisition by CIWC of the assets comprising the water system operated by Oakview Avenue Water Works (Docket No. 03-0556). The Commission entered the order approving the petition, subject to certain conditions, November 12, 2003.

On October 22, 2003, Ameren filed a petition for approval to transfer AmerenUE's gas system assets and gas public utility business to AmerenCIPS and for approval of entry into various related agreements (Docket No. 03-0657). Expedited action was requested for an Order by the end of the first quarter of 2004.

On December 17, 2003, Illinois American Water Company ("IAWC") filed a 7-204 application to acquire the assets and operating rights within the Village of Saunemin and for a Certificate of Public Convenience and Necessity to provide water service to the Village of Saunemin (Docket No. 03-0768). A prehearing conference is scheduled for January 16, 2004.

## **ASSET TRANSFER OR SALE**

On November 14, 2002, Illinois Power Company filed notice, pursuant to 16-111(g) of the Act of its intent to transfer its transmission system to Illinois Electric Transmission Company ("IETC"), a non-affiliated interest. On November 20, 2002, the Commission initiated a proceeding to determine if the transaction should be approved (Docket No. 02-0742). On December 23, 2002, IP filed a motion to amend the 16-111(g) filing. On January 10, 2003, IP withdrew the initial 16-111(g) filing and filed a new 16-111(g) filing (Docket No. 03-0022). On February 24, 2003, IP filed a motion to withdraw the second Section 16-111(g) filing. On March 12, 2003, the Commission entered an Order granting IP's Motion to Dismiss.

On February 6, 2003, AmerenUE filed a petition requesting Commission approval of two transfer agreements whereby AmerenUE would acquire two generating stations from an affiliated company, Ameren Energy Generating Company. On May 30, 2003, AmerenUE filed a Notice of Withdrawal. The Commission entered an Order on July 23, 2003 dismissing the petition.

On August 19, 2003, MEC filed a petition for declaratory ruling of whether MEC's acquisition of two Siemens Westinghouse 501 combustion turbines from its ultimate parent company was exempt from the need for Commission approval (Docket No. 03-0496). The Commission, in an Interim Order dated January 7, 2004, denied MEC's request for a declaratory ruling and directed that this matter should proceed as an application for approval of an affiliated interest contract under Section 7-101(3) of the Act.

## INFORMATIONAL FILINGS

The following transactions required only informational filings by the utility:

- AmerenCILCO –
  - Notice of amended transfer of generating assets to CIGI
- Commonwealth Edison –
  - Sale of receivables related to Great Lakes energy conservation services
  - Sale of renewable energy certificates
  - Sale of unimproved real estate in an unincorporated section of DuPage County
- Illinois Power –
  - Notice of a first amendment to a sublease relating to the combustion turbine generating units located at the site commonly referred to as the Tilton Energy Center. The matter was docketed as Docket No. 03-0757; the company petitioned to withdraw the filing; and an order is awaiting from the Commission.
- MEC –
  - Amendment of August 17, 2001 16-111(g) filing regarding the sale of assets known as the Orion Service Center to reflect a change in the sales price

## DECOMMISSIONING

MEC filed petitions in 1998 and 1999 for approval of a decommissioning cost factor of 0.26 cents per kWh for the billing year 1999 and 0.22 cents per kWh for the billing year 2000 (Docket Nos. 98-0757 and 99-0577, Consolidated). An Order was entered May 21, 2003, ordering changes to MEC's proposed cost estimate for decommissioning, setting a decommissioning cost factor of 0.07 cents credit per kWh for a twelve-month period and at 0.00 cents per kWh after the twelve-month period, and requiring MEC to file a petition to renew its decommissioning rider by November 1, 2004.

On September 3, 2002, Union Electric Company filed a petition for approval of the cost estimate for decommissioning UE's Callaway Plant; 2 revised decommissioning riders, one of which would be applicable to bundled customers, and one of which would be applicable to delivery service customers; and assumptions to justify the annual funding level of the trust fund (Docket No. 02-0565). An order was entered May 7, 2003, that approved \$512,786,000 as the cost estimate for decommissioning UE's Callaway Plant; approved the proposed decommissioning riders with changes; established the annual funding level of \$272,554 plus a \$25,952 collection deficit from the prior three-year period and set a nuclear decommissioning factor of \$.08 to be collected through the riders; and ordered that AmerenUE shall file its next petition for approval to update the decommissioning riders, cost estimate and funding level on or before September 1, 2005.

On October 23, 2003, AmerenUE filed a petition for Commission approval for changes to its Second Amended Tax Qualified Decommissioning Trust Agreement; Second Amended Non Tax Qualified Decommissioning Trust Agreement; and Investment Guidelines for the Callaway Plant Tax Qualified and Non-Tax Qualified Nuclear Decommissioning Trust Funds, all with respect to the Callaway nuclear plant in Missouri. These amendments were proposed to comply with NRC rule changes pertaining to pre-disbursement notifications, revise reporting requirements, add definitions of relevant terms; and make various clarifications. The Commission entered an Interim order December 17, 2003. A final order from the Commission was conditioned on the receipt of an order from the Missouri Public Service Commission approving these agreements and deadlines that AmerenUE filed with the Commission on December 19, 2003.

On November 13, 2003, MidAmerican Energy Company (MEC) filed a petition requesting authorization to make certain changes to its trust agreements to comply with changes mandated by the NRC (Docket No. 03-0710). MEC did not object to certain language changes recommended by the Commission Staff. An Order was entered December 12, 2003, approving the revised changes to the agreements.

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*(5-c) Promulgation and application of rules concerning ex parte communications, circulation of recommended orders and transcription of closed meetings.*

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The Commission's rules concerning ex parte communications (83 Ill. Adm. Code 200.710) and the circulation of recommended orders (83 Ill. Adm. Code 200.820) remained in effect in 2003 and were applied throughout the year. Closed meetings were transcribed verbatim as required by Section 10-102 of the Public Utilities Act.

# **SECTION 6**

Appeals from  
Commission  
Orders



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*(6) A description of all appeals taken from Commission orders, findings or decisions and the status and outcome of such appeals.*

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This section includes only appeals either filed in 2003 or upon which a judicial decision was received in 2003. Excluded are appeals involving motor carriers, rail carriers, or other regulated transportation and all non-appeal judicial actions, such as enforcement and collection actions, employment suits, or federal administrative and judicial actions, in which the Commission may have participated as plaintiff, defendant, intervenor, or amicus.

#### **APPEALS INVOLVING PUBLIC UTILITIES FILED IN 2003**

##### **A. Under the Public Utilities Act, 220 ILCS 5**

1. *Building Owners and Managers Assn. Of Chicago v. Illinois Commerce Commission, et al.*, Illinois Appellate Court No. 1-03-0272, Ill.C.C. Docket No. 02-0479. Appeal from Interim Decision of the Commission allowing Commonwealth Edison's declaration of competitive service for its Rate 6L customers (those with demand of 3MW or greater) to take effect by operation of law under Section 16-113 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/ 16-113.  
Status: Cause voluntarily dismissed after final order issued in Docket No. 02-0479.
2. *Caterpillar, Inc., et al., v. Illinois Commerce Commission, et al.*, Illinois Appellate Court Nos. 1-03-0263, Ill.C.C. Docket No. 02-0479. Appeal from Interim Decision of the Commission allowing Commonwealth Edison's declaration of competitive service for its Rate 6L customers (those with demand of 3MW or greater) to take effect by operation of law under Section 16-113 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/ 16-113.  
Status: Cause is briefed and awaiting oral argument.
3. *Caterpillar, Inc., et al., v. Illinois Commerce Commission, et al.*, Illinois Appellate Court Nos. 1-03-1706, Ill.C.C. Docket No. 02-0479. Appeal from Final Decision of the Commission allowing the inclusion of a transition charge factor in Commonwealth Edison's Rate HEP under Sections 16-101A, 16-107 and 16-109A of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/ 16-101A, 16-107 and 16-109A .  
Status: Cause is being briefed.
4. *Virginia W. Diehl v. Illinois Commerce Commission and Peoples Gas, Light & Coke Co.*, Illinois Appellate Court No. 1-03-1574, Ill.C.C. Docket No. 01-0453. Appeal from customer complaint concerning gas charges.  
Status: Pending filing of record.
5. *Illinois Assn. of County Engineers v. Illinois Commerce Commission*, Illinois Appellate Court No. 4-03-0752, Ill.C.C. Docket No. 02-0780. Attempted appeal from a declaratory ruling of the Commission.  
Status: Cause was dismissed.
6. *Illinois Power Co. v. Illinois Commerce Commission*, Illinois Appellate Court No. 5-03-0441, Ill.C.C. Docket No. 02-0169. Appeal from reconciliation of revenues collected under Illinois Power Co.'s coal-tar rider which recovers costs related to the clean-up of former manufactured gas sites.  
Status: Cause is fully briefed.
7. *Midwest Generation Energy Services, LLC , v. Illinois Commerce Commission*, Illinois Appellate Court No. 1-03-2570, Ill.C.C. Docket No. 02-0740. Appeal from denial of Alternative Retail Electric Supplier ("ARES") certificate under 220 ILCS 5/ 16-115 pursuant to the Appellate Court's decision in *Local Union Nos. 15, 51, and 702, IBEW v. Illinois Commerce Commission, et al.* ("WPS Energy Services") , 331 Ill. App. 3d 607 (2002).  
Status: Briefing in the cause is pending

8. *Cities of Pekin and Peoria v. Illinois Commerce Commission, et al.*, Illinois Appellate Court No. 3-03-0113, Ill.C.C. Docket No. 01-0832. Appeal from Commission approval of reorganization of Illinois-American Water Co. Status: Commission affirmed in a summary order (see below).

**B. Under Other Utility-Related Acts**

1. *Rural Electric Convenience Cooperative Co. and Soyland Power Cooperative, Inc. v. Illinois Commerce Commission, et al.*, Sangamon County Circuit Court Docket No. 2003-MR-00485, Ill.C.C. Docket No. 01-0675. Appeal from grant or denial of right to serve area or customer in Montgomery County under Electric Supplier Act, 220 ILCS 30. Status: Pending filing of record.

**II. APPEALS AND OTHER JUDICIAL REVIEW PROCEEDINGS INVOLVING PUBLIC UTILITIES OR TELECOMMUNICATIONS CARRIERS DECIDED IN 2002**

**A. Cases dismissed without decision on the merits**

- (1) *Building Owners and Managers Assn. of Chicago v. Illinois Commerce Commission, et al.*, Illinois Appellate Court No. 1-03-0272, Ill.C.C. Docket No. 02-0479. Appeal from Interim Decision of the Commission allowing Commonwealth Edison's declaration of competitive service for its Rate 6L customers (those with demand of 3MW or greater) to take effect by operation of law under Section 16-113 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/ 16-113.
- (2) *Commonwealth Edison Company v. Illinois Commerce Commission*, Ill.C.C. Docket No. 01-0423, Illinois Appellate Court No. 2-02-0521. Appeal by Commonwealth Edison Company of Interim order establishing residential delivery services tariffs.
- (3) *Commonwealth Edison Company v. Illinois Commerce Commission*, Ill.C.C. Docket No. 99-0117 (On Remand), Illinois Appellate Court (2<sup>nd</sup> Dist.) No. 2-20-0349. Appeal of remanded Commission order concerning Commonwealth Edison Company's delivery services tariffs under section 16-108 of the PUA.
- (4) *Illinois Assn. of County Engineers v. Illinois Commerce Commission*, Illinois Appellate Court No. 4-03-0752, Ill.C.C. Docket No. 02-0780. Attempted appeal from a declaratory ruling of the Commission.

**B. Cases Under the Public Utilities Act, 220 ILCS 5 in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)**

- (1) *Illinois Power Co. v. Illinois Commerce Commission and People of the State of Illinois*  
Illinois Appellate Court, Fifth District, No. 5-02-0065  
Ill.C.C. Docket No. 00-0714

On April 1, 2003, the 5th District Appellate Court entered a Rule 23 Order in an appeal of a Commission Order under 220 ILCS 9-220, concerning the Purchase Gas Adjustment reconciliation for gas purchases in the year 2000. The Court reversed the Commission's disallowance of fuel costs related to the retirement of Illinois Power's propane plant at Freeburg. The Court determined that the Commission had departed from its past practice of allowing propane plant retirements without a PVRR analysis, thereby creating an after-the-fact standard of care for deciding the prudence of plant retirements. The Court determined this to be arbitrary and unreasonable. The Court also determined that Illinois Power had met its burden of proving that the plant retirement was a reasonable and prudent decision. The cause was remanded for entrance of an Order consistent with the Court's Order.

- (2) *Illinois Power Co. v. Illinois Commerce Commission, et al.*  
Illinois Appellate Court, Fifth District, No. 5-02-0406  
Ill.C.C. Docket No. 01-0432

On May 22, 2003, the Illinois Appellate Court, Fifth Judicial District, issued Rule 23 Order, affirming the Commission's Order regarding the establishment of Illinois Power's residential DST tariffs. The Court found substantial evidence in the record to support the Commission's choice of allocation methodology for determining the amount of general and intangible plant to be included in distribution rate base and of the administrative and general expense to be included in distribution operating expenses. The Court also determined that the Commission appropriately exercised its discretion in requiring that Illinois Power offer a partial requirements service rider.

- (3) *Local Union Nos. 15, 51, and 702, IBEW v. Illinois Commerce Commission, et al.*,  
Illinois Appellate Court, Fifth District, No. 5-01-0860  
Ill.C.C. Docket No. 00-0174

On January 31, 2003, the Illinois Appellate Court for the Fifth District issued a Rule 23 Summary Order. Said Summary Order reversed the Commission's grant of an ARES certificate to Blackhawk Energy Services, Inc., pursuant to Section 16-115 of the Public Utilities Act ("Act"), 220 ILCS 5/16-115, and remanded the case for further proceedings consistent with the Appellate Court's decision in Local Union Nos. 15, 51, and 702, IBEW v. Illinois Commerce Commission, et al. ("WPS Energy Services"), 331 Ill. App. 3d 607 (2002). The Appellate Court held that the appeal was controlled by its WPS Energy Services decision and that the Commission needed to engage in the analysis set forth in the WPS Energy Services decision to determine if Blackhawk Energy Services should be awarded an ARES certificate.

In the WPS Energy Services case, the Appellate Court had determined that the Paragraph (d) (5) of Section 16-115 of the Public Utilities Act ("Act"), 220 ILCS 5/16-115(d) (5), was ambiguous. The Court construed the paragraph to require that electric utility affiliates of applicants for ARES certificates must provide delivery services in the affiliates own service territory to the utility in whose service territory the applicant seeks to serve. The Court rejected the Commission's interpretation that made such a duty to provide delivery services conditional on it being physically and economically possible to provide such services. Although noting that the interpretations of the Commission and the appealing parties were both capable of being understood by reasonably well-informed people, the Court relied on a portion of the General Assembly's legislative findings under 220 ILCS 5/16-101A(c) to conclude that the legislature was concerned with allowing into the market new entrants that might be able to take an unreasonable advantage over the existing utilities and that, taken in that light, the petitioners' statutory construction was consistent with the legislature's perceived concern.

- (4) *Cities of Pekin and Peoria v. Illinois Commerce Commission, et al.*  
Illinois Appellate Court, Third District, No. 3-03-0133  
Ill.C.C. Docket No. 01-0832

On October 29, 2003, the Appellate Court for the Third District entered a Rule 23 Summary Order affirming the Commission's approval of the reorganization of Illinois-American Water Co. The Court found that the claim of the Cities that the reorganization application under 220 ILCS 5/ 7-204 had been insufficient as a matter of law to be without support in the record.

- (5) *Resource Technology Corp. v. Illinois Commerce Commission, et al.*  
  
Illinois Supreme Court Docket No. 97021  
Illinois Appellate Court, First District, No. 1-02-2732  
Ill.C.C. Docket No. 02-0455

On August 6, 2003, the Illinois Appellate Court released an opinion reversing the Commission's declaratory ruling in Ill.C.C. Docket No. 02-0455. The Commission's declaratory ruling had determined that ComEd was not obligated to pay the Rider 3 retail rate for energy generated at RTC's Pontiac facility in excess of 10 MW, the limit of Resource Technology's certificated authority. The Court found the Commission's declaration to be unsupported by the record. In reaching its conclusion, the Court refused to dismiss the case, even though under both the Administrative Procedure Act, 5 ILCS 100/5-150, and the Commission's own rules, declaratory rulings are unappealable. On December 3, 2003, the Illinois Supreme Court denied the Commission's petition for leave to appeal.

### C. Other Review Proceedings

- (1) Appeals from grant or denial of right to serve area or customer under Electric Supplier Act, 220 ILCS 30

- (a) *Central Illinois Public Service Co. v. Illinois Commerce Commission and Illinois Rural Electric Co.*  
Illinois Supreme Court Docket No. 97179  
Illinois Appellate Court, 4th District, No. 4-02-0443  
Sangamon County Docket Nos. 99 MR 333 and 01 MR 71,  
Ill.C.C. Docket Nos. 97-0287 and 99-0646 respectively

On July 30, 2003, the Illinois Appellate Court for the Third District affirmed both the Circuit Court for Sangamon County, Seventh Judicial District, and the Commission Orders in Docket Nos. 97-0287 and 99-0646. Both cases involved a service area agreement, approved under the Electric Supplier Act ("ESA"), 220 ILCS 30, and the same application question as to how the agreement applies after an annexation of some of the agreement's territory by municipalities.

In both cases, the Commission had found that, under Paragraph 6 of the Agreement, the rights of Illinois Rural Electric Cooperative (IREC) were to be determined under the ESA upon municipal annexation. The Commission, thereafter, found that IREC had statutory grandfather rights to serve three out of four of the disputed developments/homesteads. As was expressly noted in the second case, the ultimate decisions herein were consistent with the expressed territorial division in the service area agreement. CIPS had challenged the Commission's decision, arguing that the grandfather rights were controlled by what is commonly known as the Canton Prison case, Central Illinois Public Service Company v. Illinois Commerce Commission, 219 Ill. App. 3d 291 (4th Dist., 1991).

The Appellate Court determined that grandfather rights had nothing to do with cases. Rather, the Court determined that the territorial split that had been agreed upon between CIPS and IREC would control. However, this determination did not change the results of the case. In addition, the Appellate Court found that the ESA does not affect municipal powers, pursuant to the explicit provision of the last paragraph in Section 14 of the ESA, 220 ILCS 30/14. CIPS has petitioned for review by the Illinois Supreme Court.

- (b) *Soyland Power Cooperative, Inc. v. Illinois Commerce Commission, et al.*  
Sangamon County Docket Nos. 2002-MR-482  
Ill.C.C. Docket No. 01-0675

Soyland Power Cooperative ("Soyland") filed a Complaint for Administrative Review challenging a series of interlocutory rulings that denied Soyland intervention in a complaint filed by Rural Electric Convenience Cooperative Co. under the Electric Supplier Act, 220 ILCS 30. Motions to dismiss the complaint as premature were filed by Freeman United Coal Mining Company, Central Illinois Public Service Company, and the Illinois Commerce Commission.

On April 16, 2003, the Honorable Robert J. Eggers dismissed the Complaint in Administrative Review with prejudice. The Court found that no final decision within the meaning of the Administrative Review Law, 735 ILCS 5/ 3-101, had been entered.

# SECTION 7

Studies and  
Investigations  
Required by  
State Statutes

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*(7) A description of the status of all studies and investigations required by this Act, including those ordered pursuant to Sections 4-305, 8-304, 9-242, 9-244, and 13-301 and all such subsequently ordered studies or investigations.*

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#### **Section 4-305: Emission Allowance Reports**

Section 4-305 directs the Illinois Commerce Commission to collect from each utility and each affiliated interest of a public utility owning an electric generating station, on a quarterly basis, information relating to the acquisitions of sale of sulfur-dioxide emission allowances as defined in Title IV of the Federal Clean Air Act Amendments of 1990. The Commission is also directed to include such information in each of its annual reports, beginning with the 1993 annual report due January 31, 1994.

As of December 31, 2002, the Commission received quarterly reports for the fourth quarter 2002 through the third quarter 2003 from four public utilities with generating units affected by the Clean Air Act: Alliant (Interstate Power), AmerenUE, Central Illinois Light Company, and MidAmerican Energy Company.

The Commission received quarterly reports for the fourth quarter 2002 through the third quarter from Electric Energy Inc. <sup>1</sup>, which owns generating units affected by the Clean Air Act and is an affiliate of the following public utilities: Illinois Power, AmerenUE, and AmerenCIPS.

The Commission received quarterly reports for the fourth quarter 2002 through the third quarter 2003 from Rocky Road Power LLC <sup>2</sup> and Dynegy Midwest Generation, Inc. <sup>3</sup> Both companies are affiliates of Illinois Power and both companies own generating units affected by the Clean Air Act.

The Commission received quarterly reports for the fourth quarter 2002 through the third quarter 2002 through the third quarter 2003 from Ameren Energy Generating Company <sup>4</sup>, which owns generating units affected by the Clean Air Act and is an affiliate of AmerenCIPS and AmerenUE.

All utilities and affiliated interest subject to Section 4-305 reporting requirements are currently in compliance. Appendix B contains the fourth quarterly report for 2002 and the first three quarterly reports for 2003 for all reporting entities. Because the forms required the reporting entities to record a running total of all allocations and transactions, the third quarter reports contain all information regarding the allocations and transactions that have occurred during the first three quarters of 2003.

#### **Section 8-304: Estimated Billing Practices**

This section states that the Illinois Commerce Commission shall perform a comprehensive study of estimated billing practices and policies of the major regulated public utilities providing natural gas and/or electric services.

For purposes of this study, the Commission selected the following major regulated public utilities providing natural gas and/or electric services to Illinois households:

Central Illinois Light Company  
AmerenCIPS  
Commonwealth Edison Company

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<sup>1</sup> Electric Energy Inc is owned by Kentucky Utilities Company (20%), a subsidiary of Powergen plc, AmerenUE (40%), AmerenCIPS (20%), and Dynegy (20%). Ameren owns AmerenUE and AmerenCIPS. Dynegy owns Illinois Power.

<sup>2</sup> Rocky Road Power LLC is owned by Dynegy (50%) and by NRG Energy Inc (50%), a subsidiary of Xcel Energy Inc.

<sup>3</sup> Dynegy Midwest Generation Inc is owned by Dynegy.

<sup>4</sup> Ameren Energy Generating Company is owned by Ameren.  
Illinois Power Company

MidAmerican Energy Company  
Northern Illinois Gas Company  
Peoples Gas Light & Coke Company  
AmerenUE

These eight utilities comprise over 95 percent of the regulated utility service sales to residential customers in Illinois.

For the study, the companies provided such information as a three year history of the total number of estimated bills broken down by customer class, time of year, geographic location, customer group, and frequency of consecutively estimated bills; the reasons for estimated billing; the costs of relocating and reading meters; the methods or formulas used for establishing the amounts of estimated bills; and the programs or instruments used to minimize the frequency of estimated bills. The study was conducted in 1987. An analysis of the data received was conducted by Commission staff. No activities were required in 2003.

#### **Section 8-403: Cogeneration/Small Power Production**

Section 8-403 states that the Commission shall conduct a study to encourage the full and economical utilization of cogeneration and small power production. In addition to the independent power generation aspect of the study, the Commission is also required to examine the wheeling of electricity between governmental agencies. This study was completed in 1987. No activities were required in 2003.

#### **Section 8-405.1: Feasibility of Wheeling in Illinois**

Section 8-405.1 directs the Commission, in cooperation with the Illinois Department of Energy and Natural Resources, to investigate the major economic and legal issues surrounding the wheeling of electricity in Illinois and to report the results of its investigation to the General Assembly. In December 1987, the Commission submitted the report titled *Electric Wheeling in Illinois* to the General Assembly. No activities were required in 2003.

#### **Section 9-202: Temporary Rate Increase**

On October 1, 1987, 83 Ill. Adm. Code 330 became effective. Among other things, Commission rules set the necessary conditions for a temporary rate increase and provided for refunds with interest should the temporary rate increase granted exceed the permanent rate increase granted.

#### **Section 9-214: Study of CWIP**

The study was completed and was sent to the General Assembly on December 29, 1988. Please see the Commission's 1992 annual report, page 56, for details.

#### **Section 9-216: Cancellation Costs**

There are no plants under construction nor any requests for authority to construct new plants pending before the Commission and given that there is no due date for either the initiation or completion of this rulemaking, the Commission will initiate rulemaking as soon as practical, given the Commission's current workload and resources.

#### **ECONOMIC DEVELOPMENT PROGRAM**

A summary of the Commission's economic development program and its activities since its inception may be found in the 1996 and previous Commission annual reports.

The Commission coordinates its economic development activities with other state agencies, including the Department of Commerce and Economic Opportunity. Commission staff members represent the Commission on interagency task forces that relate to the Commission's economic development activities. Individual economic development project proposals are reviewed in conjunction with appropriate staff from utilities, state and local government, and private businesses. Staff comments on tariff and/or rate filings by utilities and testimony in rate case proceedings serve to further articulate Commission policies in the area of economic development.

As implementation of customer choice continues, Commission rulemakings and decisions in the following areas will be assessed on an ongoing basis to evaluate impacts on economic development:

- requirements for alternative electric suppliers
- delivery services tariffs
- neutral fact finder process
- consumer-education materials
- distributed resources
- real-time pricing

### **Commonwealth Edison "Rehab" program monitoring and verification**

During 1998, ComEd's customers experienced a larger number of electric service outages than in prior years. During July and August 1999, ComEd experienced equipment-related outages in Chicago and other parts of its service territory that, in combination with the outages of 1998, focused attention on ComEd's power delivery infrastructure. In October 2000, ComEd again experienced significant equipment outages that continued to highlight ComEd's power delivery infrastructure. These equipment outages caused large numbers of ComEd's customers to lose electric service for periods from several hours to days during hot weather.

ComEd investigated these problems, and, on September 15, 1999, issued a report called "A Blueprint for Change." ComEd identified five key areas where it needed to improve its performance: 1) maintenance, 2) equipment protection and monitoring, 3) load and capacity, 4) system optimization, and 5) organization and management.

As a result of the ComEd outages, the Commission ordered investigations of ComEd's transmission, distribution and management systems as those systems existed prior to the outages. These investigations, conducted by Vantage Consulting Inc. (Vantage) and The Liberty Consulting Group (Liberty), identified root causes for these specific outages and provided ComEd with recommendations to improve their transmission and distribution and management systems.

The Commission requested that ComEd provide quarterly reports on the status of its progress towards its own and Liberty's recommendations and contracted with Liberty (the contract with Liberty began in January 2002 and ends in January 2005) to provide reasonable assurance of the accuracy of the ComEd's quarterly report, and to have an independent resource to investigate major outages that may occur in the future. The Commission required that Liberty provide the ICC with (1) reports and independent assessments on ComEd's quarterly reports, and (2) the results and recommendations from any future major ComEd power delivery infrastructure outages or mishaps.

### **Commonwealth Edison Focused Transmission Assessment**

On August 14, 2003, a significant electrical blackout affected large sections of the Midwest and Northeast United States and eastern Canada. Although the outage did not affect electric service in Illinois, the governor appointed a special task force that included the Chairman of the Illinois Commerce Commission (ICC) to review Illinois' energy infrastructure. Among the matters that the task force will examine are the protection provided to the energy infrastructure in Illinois from a catastrophic power failure and the testing used by utilities to monitor and maintain system reliability.

The Staff of the ICC decided to direct short-term efforts on a focused review of Commonwealth Edison's (ComEd's) transmission system relays and circuit breakers. This review would focus on the type of equipment that should limit the size of an outage, cover a large percentage of Illinois' transmission capacity, and use an existing memorandum of understanding that already exists to provide funding and a consultant who is familiar enough with ComEd's transmission system and infrastructure that the investigation could be done on a very tight time frame. The review would examine:

- The frequency of ComEd's studies to determine necessary changes to transmission relay settings as loads increase and transmission system configurations and uses evolve.
- The adequacy of ComEd's planned maintenance schedules for transmission relays, circuit breakers, and associated protection equipment.
- The degree to which ComEd actually tests, calibrates, and maintains its transmission relays, circuit breakers, and associated protection equipment on an adequate schedule.

The objective of Liberty's review is to verify that ComEd's transmission protective devices and schemes, particularly where ComEd uses them to protect its transmission systems at the connections to the grid, are adequately specified, designed, maintained, and modified as necessary, to prevent cascading blackout events. By the term "transmission system protection devices and schemes" Liberty includes protective and reclosing relays, relaying schemes, systems for communicating among relays, circuit breakers, and instrument transformers connected to ComEd's 138 kV, 345 kV, and 765 kV transmission systems.

Liberty's final report on the Focused Transmission Assessment was delivered to the Commission on December 16, 2003.

# **SECTION 8**

Impacts of  
Federal Activity  
on State Utility  
Service



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*(8) A discussion of new or potential developments in federal legislation, and federal agency and judicial decisions relevant to State regulation of utility service*

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## COMMISSION POLICY AND ACTIONS IN FERC PROCEEDINGS

The Federal Energy Regulatory Commission (FERC) regulates, among other things, the rates for wholesale electricity sales by public utilities and transmission in interstate commerce, the sale or resale of natural gas by interstate pipelines, and the transportation of natural gas by interstate pipelines. The primary goal of the Illinois Commerce Commission's Federal Energy Program is to ensure that the rules, policies, rates, and terms and conditions of service that FERC establishes for electric transmission service, bulk power sales, and natural gas pipeline transportation are fair and reasonable for Illinois energy consumers. The activities of the Federal Energy Program are discussed in more detail in the following sections.

### DEVELOPMENTS IN THE NATURAL GAS INDUSTRY

Interstate natural gas pipeline transportation service operates under the Order 636 open access rules adopted by FERC in 1992. In 2002, FERC continued to hone its interstate natural gas transportation policy through incremental modifications through the implementation of Order 637. FERC's gas policy continues to focus on improving the efficiency of the natural gas market, increasing competition and protecting consumers against the exercise of market power by pipelines.

Illinois and the Midwest in general, continues to see major activity in new interstate natural gas pipeline construction proposals. These proposals are in response to continued growth in natural gas demand and increased access to newer gas supply basins such as those in western Canada.

### DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY

In 1996, FERC issued Order 888. The intent of this landmark administrative rule is to facilitate broad open access to transmission facilities and a nation-wide competitive wholesale electric power market. Order 888 required each transmission-owning electric utility to have generally available open access transmission tariffs on file, functionally separate wholesale power sales functions from operation of the transmission system and charge themselves and their affiliates the same rates for wholesale transactions that they charge third-party transmission customers. On December 20, 1999, FERC issued Order 2000, a final rule on Regional Transmission Organizations (RTOs), which encouraged public utilities to join RTOs on a voluntary basis for the purpose of developing regional wholesale energy markets. In addition to its efforts to implement its RTO initiative, late in 2002, FERC issued both a standard market design notice of proposed rulemaking (SMD NOPR) and a wholesale market platform whitepaper.

FERC continued its efforts to develop competitive wholesale electricity markets and spent much of 2003 focusing on the implementation of Order 2000, the development of RTOs and standard market design. FERC also issued Order 2003, wherein public utilities that offer transmission service will be required to offer nondiscriminatory standardized interconnection service for generators over 20 MW. It is FERC's hope that Order 2003 will reduce the time and cost of interconnecting large generators, help preserve reliability and produce lower electricity prices by increasing the number and variety of independent generators that can compete in the wholesale electricity markets. Reliability of the power grid was another major issue for FERC in 2003. On August 14, a major blackout struck the Mid-Atlantic and parts of Canada. As a result, FERC assisted the DOE-led investigation into the cause(s) of the blackout.

Currently, Illinois electric utilities have stated their intention to participate either –in the Midwest Independent Transmission System Operator (MISO) or the PJM Interconnection (PJM). Such participation may either be direct or as part of a so-called independent transmission company ("ITC") operating under the umbrella of the MISO. Currently CILCO is the only major Illinois utility that is a member of an RTO. Ameren's participation in the Midwest ISO as a member of the GridAmerica ITC is pending approval of the Missouri PSC. The efforts of MidAmerican to join the Midwest ISO as part of the TRANSLink ITC have stalled and Commonwealth Edison is working to join PJM Interconnection. The RTO plans of Illinois Power are uncertain given their pending sale to Ameren.

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16-101, et seq., adopted on December 16, 1997, introduced the concept of delivery services and required Illinois utilities to provide open access to delivery services on a phased-in basis. However, in adopting that statute, the Illinois General Assembly recognized that certain components of delivery service may be subject to FERC jurisdiction. Therefore, the statute states:

An electric utility shall provide the components of delivery services that are subject to the jurisdiction of the Federal Energy Regulatory Commission at the same prices, terms and conditions set forth in its applicable tariff as approved or allowed into effect by that Commission. The [ICC] shall otherwise have the authority pursuant to Article IX to review, approve, and modify the prices, terms and conditions of those components of delivery services not subject to the jurisdiction of the Federal Energy Regulatory Commission ....(220 ILCS 5/16-108)

Consequently, as retail open access is introduced in Illinois, the ICC has been actively engaged at FERC to ensure that the components of delivery service for which FERC has regulatory oversight responsibility are provided at rates, terms, and conditions that are appropriate for Illinois' retail direct access program.

### **SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT**

The Electric Service Customer Choice and Rate Relief Law of 1997, enacted into law in December 1997, fixed a timetable for the introduction of electric retail choice in Illinois, beginning with opening the electric market on October 1, 1999. On that date, approximately 64,000 non-residential electric customers, about one-seventh of all non-residential customers, became eligible to choose a new electric supplier. An additional 609,000 non-residential customers became eligible to choose a new electric supplier on January 1, 2001. The electric market was opened to the State's approximately 4.4 million residential customers in May 2002 so that now all customer classes are eligible to choose alternative suppliers, although to date, no supplier has sought permission from the Commission to serve residential customers and accordingly, no residential customer has switched to an alternative supplier. At the end of 2003, ten suppliers were serving non-residential customers.

By the end of 2003, approximately 12,300 non-residential customers had elected to purchase power and energy from an Alternative Retail Electric Supplier or from an electric utility selling outside its service area. Customer interest in purchasing electricity from alternative suppliers increased in the Ameren service areas as a result of the Ameren companies suspending the imposition of transition charges for at least two years.

More than 8,600 customers had taken service under the Power Purchase Option (PPO), a service that is available only in the service areas of the two electric utilities (ComEd and Illinois Power) that, during 2003, imposed transition charges on customers that take delivery services. Detailed electric customer switching statistics can be viewed on the Commission's web page at <http://www.icc.state.il.us/ec/switchstats.aspx>.

### **NATIONAL DEVELOPMENTS**

The significant energy bill of 2003 was The Energy Policy Act of 2003 (HR 6). In short, HR 6 proposed to 1) ensure open access to the transmission grid for all generators; 2) repeal PUHCA; (Public Utility Holding Company Act); 3) reform the PURPA; (Public Utility Regulatory Policy Act); 4) establish mandatory, enforceable reliability rules; and 5) establish last-resort Federal siting authority for high-priority transmission lines. HR 6 passed the House and the Senate in different versions. The House also passed the conference bill, but the conference bill stalled in the Senate. Therefore, no significant electricity legislation was sent to the President for signature in 2003.

The Department of Energy issued a number of reports regarding electricity and natural gas, with the most prominent being a preliminary report outlining the sequence of events that led to the blackout of the electric systems in the Midwest and Northeast United States and Eastern Canada on August 14, 2003.

The Commission will continue to closely monitor legislative developments at the national level.

# **SECTION 9**

Recommendations for  
Proposed  
Legislation



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*(9) All recommendations for appropriate legislative action by the General Assembly.*

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The Commission's legislative agenda for 93rd General Assembly is currently being formulated. A detailed discussion of specific proposals currently under consideration would be premature at this time.



# **Appendix A**

## **Summary of Significant Commission Decisions**



## SUMMARY OF SIGNIFICANT COMMISSION DECISIONS

### ELECTRIC

- 00-0199      WPS Energy Services, Inc.**  
**Application for Certificate of Service Authority under Section 16-115 of the Public Utilities Act.**

In its Order entered May 9, 2001, the Commission affirmed an earlier order that granted a Certificate to operate as an Alternative Retail Electric Supplier ("ARES") to WPS Energy Services, Inc. ("WPS"). On appeal, the Appellate Court, Fifth District reversed the Commission's order of May 9, 2001, and remanded the case to the Commission for further proceedings, based on the Court's disagreement with the Commission's conclusions on the reciprocity provisions of Section 16-115(d)(5) of the Public Utilities Act. In an Order on Remand entered on January 23, 2003, the Commission dismissed the proceeding without prejudice, and cancelled the Certificate that was issued to WPS in the original proceeding.

- 02-0277      Commonwealth Edison Company**  
**Petition for an Order Finding PDV Midwest L.L.C. in Violation of the Prohibition on Resale of Retail Electric Service contained in the Illinois Public Utilities Act and Set Forth in Rider 12, Conditions of Resale or Redistribution of Electricity by the Customer to Third Persons, and for Other Relief.**

Parties voluntarily settled case after ALJ ruled that respondents had resold electricity, but that complainant had knowingly abetted resale.

- 02-0290      MidAmerican Energy Company, Nicor Energy, L.L.C., AES NewEnergy, Inc. and the National Energy Marketers Association**  
**Request for Expedited Rulemaking Regarding Telephonic and Internet Enrollment Procedures Consistent with Section 2EE of the Consumer Fraud and Deceptive Business Practices Act.**

On May 21, 2003, the Commission entered an order adopting rules on telephonic enrollment for customer switching.

- 02-0479      Commonwealth Edison Company**  
**Petition for declaration of service currently provided under Rate 6L to 3 MW and greater customers as a competitive service pursuant to Section 16-113 of the Public Utilities Act and approval of related tariff amendments.**

The Commission entered a Final Order in this proceeding on March 28, 2003. In that Order, the Commission approved rates for ComEd's Rate HEP (Hourly Energy Pricing).

- 02-0571      Interstate Power and Light Company**  
**Application for Approval of Affiliated Interest Contracts.**

In this proceeding, Interstate Power and Light Company ("IPL") sought approval to acquire an affiliate's rights to purchase multiple generators and other facilities for use in the construction by IPL of a new electric power plant. Among other things, the Commission analyzed whether IPL needs additional generation capacity by the summer of 2004; whether IPL's utility-build option is least-cost; and whether the price to be paid would unfairly benefit IPL's affiliate at the expense of IPL's customers. In its Order entered March 18, 2003, the Commission approved the proposed transactions, subject to certain conditions.

- 02-0656      Central Illinois Public Service Company and Union Electric Company**  
**Petition for approval of tariff sheets implementing revised Market Value Index methodology.**

02-0671      **Commonwealth Edison Company**  
Proposed revision of Rider PPO (Power Purchase Option – Market Index), Rate CTC (Customer Transition Charge) and Rider ISS (Interim Supply Service), and to establish Rider CTC – MY (Customer Transition Charge – Multi-Year Experimental). (Tariffs filed on October 1, 2002)

02-0672      **Illinois Power Company**  
Proposed establishment of Rider MVI II, Market Value Index II. (Tariffs filed October 1, 2002)

02-0834      **Illinois Power Company**  
Proposed revisions to Rider TC (Transition Charge for Customers), Rider PPO (Power Purchase Option Service) and Rider MVI (Market Value Index) (Tariffs filed October 31, 2002)

In these consolidated proceedings, ComEd, IP and Ameren sought authority to revise their “market value” tariffs. These market value index tariffs would govern the methodology used by these companies for computing market values, and the resulting computations would replace the default determinations of market values produced each year by a Neutral Fact Finder (“NFF”), under Article IX and Section 16-112 of the Public Utilities Act. In its March 28, 2003 order, the Commission authorized Commonwealth Edison and Illinois Power to issue tariffs setting forth their respective market value calculations

02-0657      **Central Illinois Public Service Company and Union Electric Company**  
Petition for approval of tariff sheets suspending operation of transition charge and purchased power option service until June, 2005.

In a related case to the above-consolidated Market Value Index cases, the Commission entered an order on April 9, 2003, allowing Central Illinois Public Service Company and Union Electric Company to eliminate the transition charge for the period June 2003 through December 2004.

02-0740      **Midwest Generation Energy Services, LLC**

Verified Application for a Certificate of Service Authority under Section 16-115 of the Public Utilities

On August 6, 2003, the Commission entered an order denying a Certificate to Midwest Generation Energy Services, LLC to operate as an alternative retail electric supplier in the service areas of all of the Illinois electric utilities. Denial of a certificate of service authority was based upon the appellate court decision in *Local Union Nos. 15, 51, and 702, International Bhd. of Elec. Workers v. Illinois Commerce Comm’n and WPS Energy Services, Inc., and Blackhawk Energy Services, L.L.C.*, 331 Ill. App.3d 607, 772 N.E. 2d 340, 265 Ill. Dec. 302 (2002). The Commission determined that Midwest Generation had not met the reciprocity standard contained in the statute.

03-0007      **Illinois Commerce Commission On its Own Motion**  
Proceeding under Section 16-112(m) of the Public Utilities Act to determine whether to further suspend the neutral fact-finder procedure.

In another related case to the above-consolidated Market Value Index cases, the Commission entered an order on April 15, 2003, suspending the neutral fact-finder procedure for four years based on the use of the market value index in the MVI cases.

03-0083      **Union Electric Company**  
Verified Petition Seeking Approval of Asset Transfer Agreements with Affiliated Company Pursuant to Section 7-101 of the Illinois Public Utilities Act.

In this contested proceeding, Union Electric Company requested Commission approval of two “Transfer Agreements” whereby the Company would acquire two generating stations from an affiliate. On July 23, 2003, the Commission entered an order dismissing the petition, without prejudice.

- 03-0114      **Illinois Power Company**  
**Application of Illinois Power Company for a Certificate of Public Convenience and Necessity, pursuant to Section 8-406 of the Illinois Public Utilities Act, to construct, operate and maintain a new 138,000 volt electric line in Monroe County, Illinois.**

On June 18, 2003, the Commission entered an Order finding that IP satisfied the relevant statutory criteria and authorized IP to construct a 3.2 mile long 138 kilovolt electric line in Monroe County.

- 03-0325      **Constellation NewEnergy, Inc.**  
**Application to Amend its Existing Certificate of Service Authority Issued in ICC Docket No. 99-0447 under Section 16-115 of the Public Utilities Act.**

By Commission Order entered June 26, 2003, Constellation NewEnergy, Inc. ("NewEnergy") was granted authority to expand its certificate of service authority to operate as an Alternative Retail Electric Supplier ("ARES") to include the additional service areas of Illinois Power Company and the Ameren companies. This 45-day proceeding was complicated by the fact that many of the options for demonstrating financial qualifications under 83 Ill. Adm. Code 451 were unavailable to NewEnergy due to rule changes or to the absence of certified financial statements for a full 12-month period because of a recent acquisition. The order also found that the reciprocity standard in Section 16-115(d) of the Act had been met.

- 03-0347      **Illinois Commerce Commission**  
                 **On Its Own Motion**  
                 **-vs-**  
**Lake County Grading Company, LLC**  
**Determination of Liability under the Illinois Underground Utility Facilities Damage Prevention Act.**

This docket was the first to be brought pursuant to the Illinois Underground Utility Facilities Damage Prevention Act. On August 8, 2003, the Commission dismissed this matter after the parties settled.

- 03-0710      **MidAmerican Energy Company**  
**Petition for Approval of Certain Changes to MidAmerican Energy Company's Nuclear Decommissioning Trust Agreements with the Bank of New York.**

In this expedited proceeding, the Commission entered an order on December 17, 2003, that granted, subject to certain modifications and conditions, MidAmerican Energy Company's ("MidAmerican") petition for approval of various changes in its Nuclear Decommissioning Trust Agreements applicable to the two nuclear units at the Quad Cities Nuclear Power Station. Certain of these revisions were proposed to comply with Nuclear Regulatory Commission ("NRC") rule changes effective December 24, 2003.

## **GAS**

- 02-0169      **Illinois Commerce Commission**  
                 **On Its Own Motion**  
                 **-vs-**  
**Illinois Power Company**  
**Reconciliation of revenues collected under Coal Tar riders with prudent costs associated with coal tar clean-up expenditures.**

This contested proceeding involves an annual reconciliation of rider revenues (and insurance recoveries) with costs incurred by Illinois Power Company ("IP") in investigating and remediating the 25 former manufactured gas plants ("MGPs") in IP's service area. In its Order entered May 21, 2003, the Commission found in part that certain expenditures were either outside the realm of environmental activities as defined in IP's rider or would provide double recovery of costs. Thus, the Commission determined that these expenditures should not be recovered from ratepayers through the coal tar riders. This matter is currently on appeal.

- 02-0170      **Illinois Commerce Commission**  
                  **On Its Own Motion**  
                  -VS-  
                  **Northern Illinois Gas Company**  
                  **Reconciliation of revenues collected under Coal Tar riders with prudent costs associated with coal tar clean up expenditures.**
- On August 6, 2003, the Commission entered an order reconciling Nicor's Coal Tar Rider in a manner that saves Nicor ratepayers one million dollars. This order also created Commission precedent regarding when a document is not a business record and whether a document can substitute for expert testimony.
- 02-0172      **Illinois Commerce Commission**  
                  **On Its Own Motion**  
                  -VS-  
                  **Interstate Power Company**  
                  **Reconciliation of revenues collected under Coal Tar riders with prudent costs associated with coal tar clean up expenditures.**
- Order entered by the Commission August 19, 2003**
- The issue in this docket centered upon the recovery of \$ 2,266 in travel-related expenses incurred by the Respondent. Respondent advocated that the sum in question was directly related to litigation pertaining to coal tar clean up and had been paid to outside vendors. Staff argued that the revenue requirement established in Respondent's last rate case would have allowed for recovery of a normal level of travel-related expenses. Such costs are, therefore, designed for recovery in base rates, not through coal tar riders. The PEPO favored Respondent's position, however, the Commission agreed with Staff that the revenue requirement in Respondent's last rate proceeding would have included a normal level of travel-related expenses. To allow Respondent to recoup these expenses through the coal tar riders in this docket would constitute double recovery.
- 02-0425      **Citizens Utility Board**  
                  **Complaint regarding billing and marketing practices of alternative gas supplier Santanna Energy Services.**
- Parties voluntarily settled case after ALJ ruled that evidentiary hearing would take place.
- 02-0798      **Central Illinois Public Service Company (AmerenCIPS) and Union Electric Company (AmerenUE)**
- (Cons.)      **Application for entry of protective order to protect confidentiality of materials submitted in support of revised gas service tariffs.**
- 03-0008      **Central Illinois Public Service Company**
- (Cons.)      **Proposed general increase in natural gas rates. (Tariffs filed November 27, 2002)**
- 03-0009      **Union Electric Company**
- Proposed general increase in natural gas rates. (Tariffs filed November 27, 2002)**
- On October 22, 2003, the Commission entered an Order in these consolidated dockets approving natural gas rate increases for CIPS and UE and directing that both companies make certain other modifications to the terms and conditions in their respective tariffs.
- 02-0837      **Central Illinois Light Company**  
                  **Proposed general increase in gas rates.**
- In this proceeding, Central Illinois Light Company requested a general increase in gas rates. The Commission's Final Order in this matter was entered on October 17, 2003

**02-0844 Illinois Commerce Commission  
On Its Own Motion  
Rulemaking Re 83 Adm. Code Section 551**

On December 17, 2003, the Commission issued a final Order establishing new rules regarding Alternative Gas Suppliers. Among other things the new rules provide parameters for dispute resolution and financial reporting.

**03-0535 Illinois Commerce Commission  
On Its Own Motion**

**-VS-**

**Peter Baker & Son Co.  
Determination of Liability under the Illinois Underground Utility Facilities Damage Prevention Act.**

This docket is the second docket brought pursuant to the Illinois Underground Utility Facilities Damage Prevention Act. It is the first in which an excavator paid a fine. The Commission dismissed this docket on December 3, 2003, after Peter Baker & Son paid a \$2,000 fine.

**WATER**

**01-0645 Citizens Utilities Company of Illinois d/b/a Citizens Water Resources  
Petition for Certificates of Public Convenience and Necessity to provide water and/or sanitary sewer service to parcels in DuPage and Will Counties, Illinois, pursuant to Section 8-406 of the Public Utilities Act.**

Order entered by the Commission February 20, 2003.

83 Ill. Adm. Code Part 600.370 provides that in unusual cases where developers are required to advance funds for installation of water facilities, developer shall receive refunds as customers attach.

Petitioner advanced a multitude of arguments against extending refunds to the developer for installation of sewer facilities and Staff provided an almost equal number of counter arguments. The Proposed Order issued contained a complete analysis of all arguments presented and was written in favor of Staff, requiring refunds for installation of sewer facilities. The grounds for the decision were the same as those requiring refunds for the installation of water facilities, i.e. to guard against unjust enrichment and to protect consumers and the utility against a slow or failed development. Petitioner initially moved for oral argument on the issue, however, Petitioner and Staff jointly filed a Late-Filed Exhibit whereby each stipulated to a formula of payments and refunds between Petitioner and developer. This obviated the need for oral argument and resolved all outstanding issues in this docket.

**02-0155 Consumers Illinois Water Company  
Petition to put into effect new tariff sheets implementing the recovery of, inter alia, court costs and attorney's fees incurred in sustaining and enforcing a lien against property owners with delinquent accounts.**

Commission concluded that Company had not demonstrated that facilitating real estate foreclosure was necessary to the recovery of overdue utility bills.

**02-0480 Consumers Illinois Water Company  
Petition for issuance of Certificate of Public Convenience and Necessity to operate a water supply and distribution system in Kankakee County; and for approval of a variance from main extension deposit provisions, rates and accounting entries.**

Order entered by the Commission March 18, 2003.

This docket is distinguished by the treatment given the acquisition adjustment. Routinely, this adjustment is "below-the-line" and not included in rate base. In this matter, however, the acquisition adjustment is negative

because the purchase price of the facilities is so significantly below the estimated original cost. Consequently, "above-the-line" treatment would benefit ratepayers by reducing rate base below the level that would have been achieved through "below-the-line" treatment. The PEPO accepted Petitioner's "above-the-line" treatment. The Commission, however, added what it considered to be stronger language to emphasize that such treatment reflects the unique nature of this docket and that the Commission would not be bound in future cases involving the same or similar issues.

**02-0592      Del-Mar Water Company  
Proposed general increase in water rates.**

In this proceeding, Del-Mar Water Company requested a general increase in water rates. The Commission's Final Order in this matter was entered on April 9, 2003.

**02-0690      Illinois-American Water Company  
Proposed general increase in water and sewer rates**

An Order in this matter was entered August 12, 2003. Approximately 20 parties and 25 witnesses participated in this rate case. There was a wide range of contested issues, involving post-9/11 enhanced security costs, acquisition costs and savings, proprietary treatment and numerous other issues. This matter is presently on rehearing.

**02-0781      Mancuso Investment Corporation  
Request for Declaratory Ruling or Alternative Application for A Certificate of Public Convenience and Necessity**

Commission ruled that trailer park operator was not a public water utility, because operator limited service to mobile homes it owned or formerly owned, because separately-owned mobile homes in the park were not required to use operator's services, and because operator was preparing to transfer its responsibilities to a municipal water district.

**03-0556      Consumers Illinois Water Company and Oakview Avenue Water Works, Inc.  
Petition for Approval of Proposed Reorganization.**

In this expedited proceeding, Consumers Illinois Water Company ("CIWC") sought approval to acquire the assets comprising the water system operated by Oakview Avenue Water Works, Inc. ("Oakview"), a small problem-ridden public utility in Will County. Although there were several issues such as accounting treatment, acquisition costs and a proposed surcharge, the case proceeded under a very expeditious schedule. Subject to certain conditions, the proposed acquisition was approved by Commission order on November 12, 2003, some nine months ahead of the August 12, 2004 statutory deadline.

**GENERAL**

**02-0509      Illinois Commerce Commission  
On Its Own Motion  
Revision of 83 Ill. Adm. Code 285 and adoption of 83 Ill. Adm. Code 286 and 287.**

On July 9, 2003, the Commission entered an Order significantly altering 83 Ill. Adm. Code 285, "Standard Information Requirements for Public Utilities and Telecommunications Carriers in Filing for an Increase in Rates" and adopting new code parts at 83 Ill. Adm. Code 286, "Submission of Rate Case Testimony" and 83 Ill. Adm. Code 287, "Rate Case Test Year." These code parts concern the filing requirements associated with proposed rate increases.

# Appendix B

## Emission Allowance Reports

(Note: The emission reports are not included in the web edition of the report, but are in the printed document.)



